Risk Factors Comparison 2024-02-22 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business results are subject to a variety of risks, including those that are described below and elsewhere in our filings with the Securities and Exchange Commission. The risks described below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also significantly adversely affect our business. If any of these risks were to materialize or intensify, our expectations (or the underlying assumptions) may change and our performance may be adversely affected. STRATEGY AND BRAND If we do not successfully evolve and execute against our business strategies, we may not be able to drive business growth. To drive Systemwide sales, operating income and free cash flow growth, our business strategies **– including the components of our Accelerating the Arches growth strategy –** must be effective in maintaining and strengthening customer appeal and capturing additional market share. Whether these strategies are successful depends mainly on our System' s continued ability to: • capitalize on our global scale, iconic brand and local market presence to build upon our historic strengths and competitive advantages, including by maximizing our marketing, committing to our core menu items, and doubling down on digital, delivery, drive thru and restaurant development; • innovate and differentiate the McDonald' s experience, including by preparing and serving our food in a way that balances value and convenience to our customers with profitability; • build upon our investments to transform and enhance the customer experience; • run great restaurants by driving efficiencies and expanding capacities while ~~continuing to prioritize~~ **prioritizing** health and safety; • accelerate our existing strategies, including through growth opportunities; and • evolve and adjust our strategies in response to, among other things, changing consumer behavior, and other events impacting our results of operations and liquidity. If we are delayed or unsuccessful in evolving or executing against our strategies, **if the execution of our strategies proves to be more difficult, costly or time consuming than expected,** or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer. Failure to preserve the value ~~and~~ **or** relevance of our brand could have an adverse impact on our financial results. To continue to be successful in the future, we believe we must preserve, enhance and leverage the value and relevance of our brand, including our corporate purpose, mission and values. Brand value is based in part on consumer perceptions, which are affected by a variety of factors, including the nutritional content and preparation of our food, the ingredients we use, the manner in which we source commodities and general business practices across the System, including the people practices at McDonald' s restaurants. Consumer acceptance of our offerings is subject to change for a variety of reasons, and some changes can occur rapidly. For example, nutritional, health, environmental and other scientific studies and conclusions, which continuously evolve and may have contradictory implications, drive popular opinion, litigation and regulation (including initiatives intended to drive consumer behavior) in ways that affect the " informal eating out " (" IEO ") segment or perceptions of our brand, generally or relative to available alternatives. Our business could also be impacted by business incidents or practices, whether actual or perceived, particularly if they receive considerable publicity or result in litigation, as well as by our position or perceived lack of position on environmental, social responsibility, public policy, geopolitical and similar matters **. In addition, we cannot ensure that franchisees or business partners will not take actions that adversely affect the value and relevance of our brand** . Consumer perceptions may also be affected by adverse commentary from third parties, including through social media or conventional media outlets, regarding the quick- service category of the IEO segment or our brand, culture, operations, suppliers or franchisees. If we are unsuccessful in addressing adverse commentary or perceptions, whether or not accurate, our brand and financial results may suffer. If we do not anticipate and address industry trends and evolving consumer preferences and effectively execute our pricing, promotional and marketing plans, our business could suffer. Our continued success depends on our System' s ability to build upon our historic strengths and competitive advantages. In order to do so, we need to anticipate and respond effectively to continuously shifting consumer demographics and industry trends in food sourcing, food preparation, food offerings, and consumer behavior and preferences, including with respect to the use of digital channels and environmental and social responsibility matters. If we are not able to predict, or quickly and effectively respond to, these changes, or if our competitors are able to do so more effectively, our financial results could be adversely impacted. Our ability to build upon our strengths and advantages also depends on the impact of pricing, promotional and marketing plans across the System, and the ability to adjust these plans to respond quickly and effectively to evolving customer behavior and preferences, as well as shifting economic and competitive conditions. Existing or future pricing strategies and marketing plans, as well as the value proposition they represent, are expected to continue to be important components of our business strategy. However, they may not be successful, or may not be as successful as the efforts of our competitors, which could negatively impact sales, guest counts and market share. **McDonald' s Corporation 2023 Annual Report 28** Additionally, we operate in a complex and costly advertising environment. Our marketing and advertising programs may not be successful in reaching consumers in the way we intend. Our success depends in part on whether the allocation of our advertising and marketing resources across different channels, including digital, allows us to reach consumers effectively, efficiently and in ways that are meaningful to them. If our advertising and marketing programs are not successful, or are not as successful as those of our competitors, our sales, guest counts and market share could decrease. ~~McDonald' s Corporation 2022 Annual Report 27~~ Our investments to **transform and** enhance the customer experience, including through technology, may not generate the expected results. Our long- term business objectives depend on the successful Systemwide execution of our strategies. We continue to build upon our investments in restaurant development, technology, digital engagement and delivery in order to transform and enhance the customer experience. As part of these investments, we are continuing to place emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives, mobile ordering and payment systems, and enhancing our drive thru technologies, which efforts may not generate expected results. We also continue to expand and refine our delivery initiatives, including through integrating delivery and mobile ordering. Utilizing a third- party delivery service may not have the same level of profitability as a non- delivery transaction, and may introduce additional food quality, food safety and customer satisfaction risks. If these customer experience initiatives are not successfully executed, or if we do not fully realize the intended benefits of these significant investments, our business results may suffer. We face intense competition in our markets, which could hurt our business. We compete primarily in the IEO segment, which is highly competitive. We also face sustained, intense competition from traditional, fast casual and other competitors, which may include many non- traditional market participants such as convenience stores, grocery stores, coffee shops and online retailers. We expect our environment to continue to be highly competitive, and our results in any particular reporting period may be impacted by a contracting IEO segment or by new or continuing actions, product offerings **, technologies** or consolidation of our competitors and third- party partners, which may have a short- or long- term impact on our results. We compete primarily on the basis of product choice, quality, affordability, service and location. In particular, we believe our ability to compete successfully in the current market environment depends on our ability to improve existing products, successfully develop and introduce new products, price our products appropriately, deliver a relevant customer experience, manage the complexity of our restaurant operations, manage our investments in **restaurant development,** technology ~~, restaurant modernization~~ , digital engagement and delivery, and respond effectively to our competitors' actions or offerings or to unforeseen disruptive actions. There can be no assurance these strategies will be effective, and some strategies may be effective at improving some metrics while adversely affecting others, which could have the overall effect of harming our business. We may not be able to adequately protect our intellectual property or adequately ensure that we are not infringing the intellectual property of others, which could harm the value of the McDonald' s brand and our business. Our success depends on our continued ability to use our existing trademarks and service marks in order to increase brand awareness and further develop our branded products in both domestic and international markets. We rely on a combination of trademarks, copyrights, service marks, trade secrets, patents and other intellectual property rights to protect our brand and branded products. We have registered certain trademarks and have other trademark registrations pending in the U. S. and certain foreign jurisdictions. The trademarks that we currently use have not been, and may never be, registered in all of the countries outside of the U. S. in which we do business or may do business in the future. It may be costly and time consuming to protect our intellectual property, **particularly in rapidly evolving areas,** and the steps we have taken to do so in the U. S. and foreign countries may not be adequate. In addition, the steps we have taken may not adequately ensure that we do not infringe the intellectual property of others, and third parties may claim infringement by us in the future. In particular, we may be involved in intellectual property claims, including often aggressive or opportunistic attempts to enforce patents used in information technology systems, which might affect our operations and results. Any claim of infringement, whether or not it has merit, could **, particularly in rapidly evolving areas,** be time consuming, **or** result in costly litigation and ~~harm~~ **could also have an adverse impact on** our business. In addition, we cannot ensure that franchisees and other third parties who hold licenses to our intellectual property will not take actions that adversely affect the value of our intellectual property. OPERATIONS The global scope of our business subjects us to risks that could negatively affect our business. We encounter differing cultural, regulatory, geopolitical and economic environments within and among the more than 100 countries where McDonald' s restaurants operate, and our ability to achieve our business objectives depends on the System' s success in these environments. Meeting customer expectations is complicated by the risks inherent in our global operating environment, and our global success is partially dependent on our System' s ability to leverage operating successes across markets and brand perceptions. Planned initiatives may not have appeal across multiple markets with McDonald' s customers and could drive unanticipated changes in customer perceptions and market share. Disruptions in operations or price volatility in a market can also result from governmental actions, such as price, foreign exchange or trade- related tariffs or controls, trade policies and regulations, sanctions and counter sanctions, government- mandated closure of our, our franchisees' or our suppliers' operations, and asset seizures. Such disruptions or volatility can also result from acts of war, terrorism or other hostilities. For example, the ~~war~~ **wars in** ~~between Russia and~~ Ukraine ~~has~~ **and the Middle East have** resulted in ~~volatile and~~ unpredictable conditions **in regions** throughout the ~~region, exacerbated~~ **world. The impacts of these wars on already-** volatile macroeconomic conditions **, geopolitical tensions,** ~~and increased pressure on our~~ supply chain ~~and the~~ availability ~~and costs of commodities, including energy, which we expect to continue to impact our financial results. The broader impacts of the war and related sanctions, including on macroeconomic conditions, geopolitical tensions~~ , consumer demand and the ability of us and our franchisees to operate in certain geographic areas, may also continue to have an adverse impact on our business and financial results. While we may face challenges and uncertainties in any of the markets in which we operate, such challenges and uncertainties are often heightened in developing markets, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption **McDonald' s Corporation 2023 Annual Report 29** and social and ethnic unrest. In many cases, such challenges may be exacerbated by the lack of an independent and experienced judiciary and uncertainty in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment. An inability to manage effectively the risks associated with our international operations could adversely affect our business and financial results. ~~McDonald' s Corporation 2022 Annual Report 28~~ Supply chain interruptions may increase costs or reduce revenues. We depend on the effectiveness of our supply chain management to assure a reliable and sufficient supply of quality products **, equipment and other materials** on favorable terms. Although many of ~~the~~ **these items** ~~products we sell~~ are sourced from a wide variety of suppliers in countries around the world, certain ~~products~~ **items** have limited suppliers, which may increase our reliance on those suppliers. Supply chain interruptions and related price increases have in the past and may in the future adversely affect us as well as our suppliers and franchisees, whose performance may have a significant impact on our results. Such interruptions and price increases could be caused by shortages, inflationary pressures, unexpected increases in demand, transportation- related issues, labor- related issues, technology- related issues, weather- related events, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond the control of us or our suppliers or franchisees. Interruptions in our System' s supply chain or ineffective contingency planning can increase our costs and / or limit the availability of products **, equipment and other materials that are** critical to our System' s operations **or to restaurant development** . Our franchise business model presents a number of risks. Our success as a heavily franchised business relies to a large degree on the financial success and cooperation of our franchisees, including our developmental licensees and affiliates. Our restaurant margins arise from two sources: fees from franchised restaurants (e. g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from Company- operated restaurants. Our franchisees and developmental licensees manage their businesses independently and therefore are responsible for the day- to- day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. Business risks affecting our operations also affect our franchisees. If franchisee sales trends worsen, or any of such risks materialize or intensify, our financial results could be negatively affected, which may be material. Our success also relies on the willingness and ability of our independent franchisees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, value / promotional and capital- intensive reinvestment plans. The ability of franchisees to contribute to the achievement of our plans is dependent in large part on the availability to them of funding at reasonable interest rates and may be negatively impacted by the financial markets in general, by their or our creditworthiness or by banks' lending practices. If our franchisees are unwilling or unable to invest in major initiatives or are unable to obtain financing at commercially reasonable rates, or at all, our future growth and results of operations could be adversely affected. Our operating performance could also be negatively affected if our franchisees experience food safety or other operational problems or project an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation and potential delays. If franchisees do not successfully operate restaurants in a manner consistent with our required standards, our brand' s image and reputation could be harmed, which in turn could hurt our business and operating results. Our ownership mix also affects our results and financial condition. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex. The benefits of our more heavily franchised structure depend on various factors, including whether we have effectively selected franchisees, licensees and / or affiliates that meet our rigorous standards, whether we are able to successfully integrate them into our structure and whether their performance and the resulting ownership mix supports our brand and financial objectives. **Continued** ~~Challenges~~ **challenges** with respect to labor, including availability and cost, could **adversely** impact our business and results of operations. Our success depends in part on our System' s ability to effectively attract, recruit, develop, motivate and retain qualified individuals to work in McDonald' s restaurants and to maintain appropriately- staffed restaurants in an intensely competitive labor market. We and our franchisees have experienced and may continue to experience challenges in adequately staffing certain McDonald' s restaurants, which can negatively impact operations, including speed of service to customers, and customer satisfaction levels. The System' s ability to meet its labor needs **as they evolve** is generally subject to ~~external~~ **a variety of** factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate. Further, our System has experienced increased costs and competition associated with attracting, recruiting, developing, motivating and retaining qualified employees, as well as with promoting awareness of the opportunities of working at McDonald' s restaurants. We and our franchisees also continue to be impacted by increasingly complex U. S. and international laws and regulations affecting our respective workforces. These laws and regulations are increasingly focused on, and in certain cases impose requirements with respect to, employment matters such as wages and hours, healthcare, immigration, retirement and other employee benefits and workplace practices. Such laws and regulations can expose us and our franchisees to increased costs and other effects of compliance, including potential liability, and all such labor and compliance costs could have a negative impact on our Company- operated margins and franchisee profitability. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our independent franchisees or suppliers, including those giving rise to claims of harassment or discrimination (or perceptions thereof) or workplace safety, could have a negative impact on consumer perceptions of us and our business. Additionally, economic action, such as boycotts, protests, work stoppages or campaigns by labor organizations, could adversely affect us (including our ability to attract, recruit, develop, motivate and retain talent) or our franchisees and suppliers, whose performance may have a significant impact on our results. Effective succession planning is important to our continued success. Effective succession planning for management is important to our long- term success. Failure to effectively attract, recruit, develop, motivate and retain qualified key personnel, or to execute smooth personnel transitions, could disrupt our business and adversely affect our results. **McDonald' s Corporation 2023 Annual Report 30** Food safety concerns may have an adverse effect on our business. Our ability to increase sales and profits depends on our System' s ability to meet expectations for safe food and on our ability to manage the potential impact on McDonald' s of food- borne illnesses and food or product safety issues that may arise in the future, including in the supply chain, restaurants or delivery. Food safety is a top priority, and we dedicate substantial resources aimed at ensuring that our customers enjoy safe food products, including as our menu and service model evolve. However, food safety events, including instances of food- borne illness, occur within the food industry and our System from time to time and could occur in the future. Instances of food ~~McDonald' s Corporation 2022 Annual Report 29~~ tampering, food contamination or food- borne illness, whether actual or perceived, could adversely affect our brand, reputation and financial results. If we do not effectively manage our real estate portfolio, our operating results may be negatively impacted. We have significant real estate operations, primarily in connection with our restaurant business. We generally own or secure a long- term lease on the land and building for conventional franchised and Company- operated restaurant sites. We seek to identify and develop restaurant locations that offer convenience to customers and long- term sales and profit potential. As we generally secure long- term real estate interests for our restaurants, we have limited flexibility to quickly alter our real estate portfolio. The competitive business landscape continues to evolve in light of changing business trends, consumer preferences, trade area demographics, consumer use of digital, delivery and drive thru, local competitive positions and other economic factors. If our restaurants are not located in desirable locations, or if we do not evolve in response to these factors, it could adversely affect Systemwide sales and profitability. Our real estate values and the costs associated with our real estate operations are also impacted by a variety of other factors, including governmental regulations, insurance, zoning, tax and eminent domain laws, interest rate levels, the cost of financing, natural disasters, acts of war, terrorism or other hostilities, or other factors beyond our control. A significant change in real estate values, or an increase in costs as a result of any of these factors, could adversely affect our operating results. Information technology system failures or interruptions, or breaches of network security, may impact our operations or cause reputational harm. We are increasingly reliant upon technology systems, such as point- of- sale, that support our business operations, including our digital and delivery solutions, and technologies that facilitate communication and collaboration with affiliated entities, customers, employees, franchisees, suppliers, service providers or other independent third parties to conduct our business, whether developed and maintained by us or provided by third parties. Any failure or interruption of these systems could significantly impact our or our franchisees' operations, or our customers' experiences and perceptions. **In addition, the artificial intelligence tools we are incorporating into certain aspects of our restaurant operations may not generate the intended efficiencies and may impact our business results.** Security incidents or breaches have from time to time occurred and may in the future occur involving our systems, the systems of the parties with whom we communicate or collaborate (including franchisees) or the systems of third- party providers. These may include such things as unauthorized access, phishing attacks, account takeovers, denial of service, computer viruses, **deepfakes and other malicious uses of artificial intelligence,** introduction of malware or ransomware and other disruptive problems caused by hackers. Certain of these technology systems contain personal, financial and other information of our customers, employees, franchisees and their employees, suppliers and other third parties, as well as financial, proprietary and other confidential information related to our business. Despite response procedures and measures in place in the event of an incident, a security breach could result in disruptions, shutdowns, or the theft or unauthorized disclosure of such information. The actual or alleged occurrence of any of these incidents could result in mitigation costs, reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk, including **administrative fines,** criminal **or civil** penalties or civil liabilities. Despite the implementation of business continuity measures, any of these technology systems could become vulnerable to damage, disability or failures due to fire, power loss, telecommunications failure or other catastrophic events. Certain technology systems may also become vulnerable, unreliable or inefficient in cases where technology vendors limit or terminate product support and maintenance. Our increasing reliance on third- party systems also subjects us to risks faced by those third- party businesses, including operational, security and credit risks. If technology systems were to fail or otherwise be unavailable, or if business continuity or disaster recovery plans were not effective, and we were unable to recover in a timely manner, we could experience an interruption in our or our franchisees' operations. LEGAL AND REGULATORY Increasing regulatory and legal complexity may adversely affect our business and financial results. Our regulatory and legal environment worldwide exposes us to complex compliance, litigation and similar risks that could affect our operations and results in material ways. Many of our markets are subject to increasing, conflicting and highly prescriptive regulations involving, among other matters, restaurant operations, product packaging, marketing, **use of information technology systems,** the nutritional and allergen content and safety of our food and other products, labeling and other disclosure practices. Compliance efforts with those regulations may be affected by ordinary variations in food preparation among our own restaurants and the need to rely on the accuracy and completeness of information from third- party suppliers. We also are subject to increasing public focus, including by governmental and non-governmental organizations, on environmental, social responsibility and corporate governance ~~(" ESG ")~~ matters. Our success depends in part on our ability to manage the impact of regulations and other initiatives that can affect our business plans and operations, which have increased and may continue to increase our costs of doing business and exposure to litigation, governmental investigations or other proceedings. We are also subject to legal proceedings that may adversely affect our business, including, but not limited to, class actions, administrative proceedings, government investigations and proceedings, shareholder proceedings, employment and personal injury claims, landlord / tenant disputes, supplier- related disputes, and claims by current or former franchisees. Regardless of whether claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management' s attention away from operations. Litigation **, legislative** and regulatory action concerning our relationship with franchisees and the legal distinction between our franchisees and us for employment law or other purposes, if determined adversely, could **challenge our franchise business model,** increase costs, negatively impact our business operations and the business prospects of our franchisees and subject us to incremental liability for **McDonald' s Corporation 2023 Annual Report 31** their actions. Similarly, although our commercial relationships with our suppliers remain independent, there may be attempts to challenge that independence, which, if determined adversely, could also increase costs, negatively impact the business prospects of our suppliers, and subject us to incremental liability for their actions. Our results could also be affected by the following: • the relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings; ~~McDonald' s Corporation 2022 Annual Report 30~~ • the cost and other effects of settlements, judgments or consent decrees, which may require us to make disclosures or take other actions that may affect perceptions of our brand and products; and • adverse results of pending or future litigation, including litigation challenging the composition and preparation of our products, or the appropriateness or accuracy of our marketing or other communication practices. A judgment significantly in excess of any applicable insurance coverage or third-party indemnity could materially adversely affect our financial condition or results of operations. Further, adverse publicity resulting from claims may hurt our business. If we are unable to effectively manage the risks associated with our complex regulatory and legal environment, it could have a material adverse effect on our business and financial condition. Changes in tax laws and unanticipated tax liabilities could adversely affect the taxes we pay and our profitability. We are subject to income and other taxes in the U. S. and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. In particular, we are affected by the impact of changes to tax laws or policy or related authoritative interpretations. We are also impacted by settlements of pending or any future adjustments proposed by taxing and governmental authorities inside and outside of the U. S. in connection with our tax audits, all of which will depend on their timing, nature and scope. Any significant increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results. Changes in accounting standards or the recognition of impairment or other charges may adversely affect our future operations and results. New accounting standards or changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, could adversely affect our future results. We may also be affected by the nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment or other charges that reduce our earnings. In assessing the recoverability of our long- lived assets, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. These estimates are highly subjective and can be significantly impacted by many factors such as global and local business and economic conditions, operating costs, inflation, interest rate levels, competition, consumer and demographic trends and our restructuring activities. If our estimates or underlying assumptions change in the future, we may be required to record impairment charges. Any such changes could have a significant adverse effect on our reported results for the affected periods. If we fail to comply with privacy and data protection laws, we could be subject to legal proceedings and penalties, which could negatively affect our financial results or brand perceptions. We are subject to legal and compliance risks and associated liability related to privacy and data protection requirements, including those associated with our technology- related services and platforms made available to business partners, customers, employees, franchisees or other third parties. An increasing number of ~~jurisdictions~~ **our markets** have enacted new privacy and data protection requirements (including the European Union' s General Data Protection Regulation and various U. S. state- level laws), and further requirements are likely to be proposed or enacted in the future. Failure to comply with these privacy and data protection laws could result in legal proceedings and substantial **administrative fines, criminal or civil** penalties **or civil liabilities** and materially adversely impact our financial results or brand perceptions. MACROECONOMIC AND MARKET CONDITIONS Unfavorable general economic conditions could adversely affect our business and financial results. Our results of operations are substantially affected by economic conditions, including inflationary pressures, which can vary significantly by market and can impact consumer disposable income levels and spending habits. Economic conditions can ~~also~~ be impacted by a variety of factors, including hostilities, epidemics, pandemics and actions taken by governments to manage national and international economic matters, whether through austerity, stimulus measures or trade measures, and initiatives intended to control wages, unemployment, credit availability, inflation, taxation and other economic drivers. Sustained adverse economic conditions or periodic adverse changes in economic conditions put pressure on our operating performance and business continuity disruption planning, and our business and financial results may suffer as a result. Our results of operations are also affected by fluctuations in currency exchange rates, and unfavorable currency fluctuations could adversely affect reported earnings. Health epidemics or pandemics could adversely affect our business and financial results. Health epidemics or pandemics ~~– such as the global outbreak of COVID- 19 in early 2020 –~~ have in the past and may in the future impact macroeconomic conditions, consumer behavior, labor availability and supply chain management, as well as local operations in impacted markets, all of which can adversely affect our business, financial results and outlook. Governmental responses to health epidemics or pandemics, including operational restrictions, can also affect the foregoing items and adversely affect our business and financial results. The duration and scope of a health epidemic or pandemic can be difficult to predict and depends on many factors, including the emergence of new variants and the availability, acceptance and effectiveness of preventative measures. A health epidemic or pandemic may also heighten other risks disclosed in these Risk Factors, including, but not limited to, those related to the availability and costs of labor and commodities, supply chain interruptions, consumer behavior, and consumer perceptions of our brand and industry. **McDonald' s Corporation 2023 Annual Report 32** Changes in commodity and other operating costs could adversely affect our results of operations. The profitability of our Company- operated restaurants depends in part on our ability to anticipate and react to changes in commodity costs, including food, paper, supplies, fuel ~~,~~ **and** utilities, **as well as** distribution and other operating costs, including labor. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected and in the future could adversely affect our operating results by impacting restaurant profitability. The commodity markets for some of the ingredients we use, such as beef, chicken and pork, are particularly volatile due to factors such as seasonal shifts, climate conditions, industry demand and other macroeconomic conditions, international commodity markets, food safety concerns, product recalls, government regulation, and acts of war, terrorism or other hostilities, all of which are beyond our control and, in many instances, unpredictable. Our System can only partially address future price risk through hedging and other activities, and therefore increases in commodity costs could have an adverse impact on our profitability. ~~McDonald' s Corporation 2022 Annual Report 31~~ A decrease in our credit ratings or an increase in our funding costs could adversely affect our profitability. Our credit ratings may be negatively affected by our results of operations or changes in our debt levels. As a result, our interest expense, the availability of acceptable counterparties, our ability to obtain funding on favorable terms, our collateral requirements and our operating or financial flexibility could all be negatively affected, especially if lenders were to impose new operating or financial covenants. Our operations may also be impacted by regulations affecting capital flows, financial markets or financial institutions, which can limit our ability to manage and deploy our liquidity or increase our funding costs. Any such events could have a material adverse effect on our business and financial condition. The trading volatility and price of our common stock may be adversely affected by many factors. Many factors affect the trading volatility and price of our common stock in addition to our operating results and prospects. These factors, many of which are beyond our control, include the following: • the unpredictable nature of global economic and market conditions; • governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the U. S., which is the principal trading market for our common stock, and media reports and commentary about economic, trade or other matters, even when the matter in question does not directly relate to our business; • trading activity in our common stock, in derivative instruments with respect to our common stock or in our debt securities, which can be affected by: market commentary (including commentary that may be unreliable or incomplete); unauthorized disclosures about our performance, plans or expectations about our business; our actual performance and creditworthiness; investor confidence, driven in part by expectations about our performance; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our common stock by significant shareholders; and trading activity that results from the ordinary course rebalancing of stock indices in which McDonald' s may be included, such as the S & P 500 Index and the Dow Jones Industrial Average; • the impact of our stock repurchase program or dividend rate; and • the impact of corporate actions, including changes to our corporate structure, and market and third- party perceptions and assessments of such actions, including those we may take from time to time as we implement our business strategies in light of changing business, legal and tax considerations **.** Our business is subject to an increasing focus on ~~ESG~~ **environmental and social impact** matters. In recent years, there has been an increasing focus by stakeholders – including employees, franchisees, customers, suppliers, governmental and non- governmental organizations and investors – on ~~ESG~~ **environmental and social impact** matters. A failure, whether real or perceived, to address ~~ESG~~ **environmental and social impact** matters or to achieve progress on our ~~ESG~~ **environmental and social impact** initiatives on the anticipated timing or at all, could adversely affect our business, including by heightening other risks disclosed in these Risk Factors, such as those related to consumer behavior, consumer perceptions of our brand, labor availability and costs, supply chain interruptions, commodity costs, and legal and regulatory complexity. Conversely, our taking a position, whether real or perceived, on ~~ESG~~ **environmental and social impact** , public policy, geopolitical and similar matters could also adversely impact our business. The standards we set for ourselves regarding ~~ESG~~ **environmental and social impact** matters, and our ability to meet such standards, may also impact our business. For example, we are working to manage risks and costs to our System related to climate change, greenhouse gases, and diminishing energy and water resources, and we have announced initiatives relating to, among other things, climate action, sustainability, **and** responsible sourcing **. In addition, we are engaging in social impact initiatives, including community engagement** and ~~increasing~~ **philanthropy; as well as** ~~diverse~~ **diversity** ~~representation across our System~~ **, equity and inclusion efforts** . We have faced increased scrutiny related to reporting on and achieving these initiatives, as well as continued public focus on similar matters, such as packaging and waste, animal health and welfare, deforestation and land use. We have also experienced increased pressure from stakeholders to provide expanded disclosure and establish additional commitments, targets or goals, and take actions to meet them, which could expose us to additional market, operational, execution and reputational costs and risks. Moreover, addressing ~~ESG~~ **environmental and social impact** matters requires Systemwide **as well as third party** coordination and alignment, **over which we do not have complete control** and ~~the~~ **which may be unpredictable. The** standards by which certain ~~ESG~~ **environmental and social impact** matters are measured are **also** evolving and subject to assumptions that could change over time. Events such as severe weather conditions, natural disasters, hostilities, social unrest and climate change, among others, can adversely affect our results and prospects. Severe weather conditions, natural disasters, acts of war, terrorism or other hostilities, social unrest or climate change (or expectations about them) can adversely affect consumer behavior and confidence levels, supply availability and costs and local operations in impacted markets, all of which can affect our results and prospects. Climate change may also increase the frequency and severity of weather- related events and natural disasters. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~32~~ **33 CYBERSECURITY Governance Management has primary responsibility for enterprise- wide risk management (" ERM "), including cybersecurity risk, within our Company, as detailed below. Our Board of Directors is responsible for overseeing our ERM framework and exercises this oversight both as a full Board and through its standing committees. Our Board' s Public Policy & Strategy Committee (" PPS Committee ") has oversight responsibility for our strategy and processes relating to cybersecurity risk management. Our PPS Committee receives updates at regular intervals on cybersecurity matters from management, including our Global Chief Information Officer (" CIO ") and Chief Information Security Officer (" CISO ") who, as discussed below, are responsible for assessing and managing material cybersecurity risks. Such updates include a discussion of the status of our cybersecurity landscape and our cybersecurity strategies, including potential risks and mitigation efforts. If a cybersecurity incident meets our established internal escalation threshold, accelerated reporting of the incident is provided to the applicable members of the Board. The PPS Committee also considers potential remedies to any strategic or process gaps that may be identified during the Company' s review of specific cybersecurity incidents. Our Board of Directors recognizes the importance to the Company of effectively identifying, assessing and managing risks that could have a significant impact on our business strategy. The ERM framework leverages internal risk committees comprised of cross- functional leadership who meet regularly to evaluate and prioritize risks, including cybersecurity risk, in the context of our strategy, with further escalation to our CEO, Board and / or Committees, as appropriate. Effective management of cybersecurity risks is critical to the successful execution of our business strategy. Risk Management and Strategy Our CIO and CISO are responsible for assessing and implementing our cybersecurity risk management programs, which are informed by the National Institute of Standards and Technology (NIST) Cybersecurity Framework. These leaders and their teams have significant relevant experience in various fields, such as incident response, application security, data protection, network security and identity and access management, and have implemented and executed security programs across multiple industries at Fortune 100 companies. Our programs are designed to create a comprehensive, cross- functional approach to identify and mitigate cybersecurity risks as well as to prevent cybersecurity incidents in an effort to support business continuity and achieve operational resiliency. We leverage certain third- party providers and local technology support teams to help execute certain aspects of our**

cybersecurity risk management programs. We also engage third parties in assessments and testing of our policies, processes and standards that are designed to identify and remediate cybersecurity incidents. These efforts include a wide range of activities focused on evaluating the effectiveness of the program, including audits, modeling, tabletop exercises and vulnerability testing. We also periodically engage independent third parties to perform assessments and evaluations of certain aspects of our information security control environment and operation of our program. Further, we have various processes and programs to manage cybersecurity risks associated with our use of third- party vendors and suppliers. We provide regular, mandatory training for employees regarding cybersecurity threats to bring awareness on how they can help prevent and report potential cybersecurity incidents. In addition, key stakeholders involved with our cybersecurity risk management programs receive additional training and regularly participate in scenario- based training exercises to support the effective administration of our programs. We have established and regularly tested incident response processes and controls that identify and risk- rank incidents through a centralized system to promote timely escalation of cybersecurity incidents that exceed a particular level of risk, including escalation of incidents of sufficient magnitude or severity to our CIO and CISO. In evaluating cybersecurity incidents, management considers the potential impact to our results of operations, control framework, and financial condition, as well as the potential impact, if any, to our business strategy or reputation. Cybersecurity threats, including as a result of our previous cybersecurity incidents, have not materially affected our results of operations or financial condition, including our business strategy, in 2023. For additional information on risks from cybersecurity threats, please see our Risk Factors beginning on page 28. McDonald' s Corporation 2023 Annual Report 34 LEGAL PROCEEDINGS The Company has pending a number of claims and lawsuits that have been filed in various jurisdictions. These claims and lawsuits cover a broad variety of allegations spanning the Company' s business. The following is a brief description of the more significant types of such claims and lawsuits. In addition, the Company is subject to various laws and regulations that impact its business, as discussed under " Government Regulations " below. While the Company does not believe that any such claims, lawsuits, laws or regulations will have a material adverse effect on its financial condition or results of operations, unfavorable rulings could occur. Were an unfavorable ruling to occur, it could result in a material adverse impact on the Company' s net income for the period in which it occurs and / or future periods. • Franchising Most McDonald' s restaurants are franchised to independent owner / operators and developmental licensees under contractual arrangements with the Company. In the course of the franchise relationship, occasional disputes arise between the Company and its current or former franchisees relating to a broad range of subjects, including, but not limited to, quality, service, cleanliness, menu pricing, alleged discrimination, delinquent payments of rents and fees, and franchise grants, renewals and terminations. Occasional disputes also arise between the Company and individuals or entities who claim they should be (or should have been) granted a franchise or who challenge the legal distinction between the Company and its franchisees for employment law purposes. • Suppliers The Company and its affiliates and subsidiaries generally do not supply food, paper or related items to any McDonald' s restaurants. The Company relies upon numerous independent suppliers, including service providers, that are required to meet and maintain the Company' s high standards and specifications. Occasional disputes arise between the Company and its current or former suppliers relating to, for example, compliance with product specifications and the Company' s business relationship with suppliers. Occasional disputes also arise between the Company and individuals or entities who claim they should be (or should have been) granted the opportunity to supply products or services to the Company or its restaurants. • Employees Hundreds of thousands of people are employed by the Company and in restaurants owned and operated by its subsidiaries. In addition, thousands of people from time to time seek employment in such restaurants. In the ordinary course of business, occasional disputes arise relating to hiring, termination, promotion and pay practices, including, but not limited to, wage and hour disputes, alleged discrimination and compliance with labor and employment laws. • Customers McDonald' s restaurants – whether owned by subsidiaries of the Company, independent owner / operators or developmental licensees – regularly serve a broad segment of the public around the world. In so doing, disputes occasionally arise relating to products, service, incidents, pricing, advertising, disclosures (including relating to nutrition) and other matters common to an extensive restaurant business such as that of the Company. • Intellectual Property The Company has registered trademarks, service marks, patents and copyrights, some of which it considers to be of material importance to its business. From time to time, the Company may become involved in litigation to protect its intellectual property and defend against the alleged use of third- party intellectual property. • Government Regulations National and local governments have adopted laws and regulations relating to various aspects of the restaurant business, including, but not limited to, advertising, franchising, health, safety, environment, competition, zoning, employment and taxation. The Company is occasionally involved in litigation or other proceedings regarding these matters. While the Company strives to comply with all applicable existing statutory and administrative requirements, it cannot predict the effect on its operations of these matters or the issuance or enactment of any future additional requirements. PROPERTIES The Company owns and leases real estate primarily in connection with its restaurant business. The Company identifies and develops sites that offer convenience to customers and long- term sales and profit potential to the System. To assess potential, the Company analyzes traffic and walking patterns, census data and other relevant data. The Company' s experience and access to advanced technology aid in evaluating this information. The Company generally owns or secures a long- term lease on the land and building for conventional franchised and Company- operated restaurant sites, which facilitates long- term occupancy rights and helps control related costs. Restaurant profitability for both the Company and franchisees is important; therefore, ongoing efforts are made to control average development costs through construction and design efficiencies, standardization and by leveraging the Company' s global sourcing network. In addition, the Company primarily leases real estate in connection with its corporate headquarters, field and other offices. Additional information about the Company' s properties is included in the Management' s Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 8 of this Form 10- K and in the Financial Statements and Supplementary Data section beginning on page ~~35~~ **37** of this Form 10- K. McDonald' s Corporation ~~2022~~ **2023**

Annual Report ~~33~~ 35 INFORMATION ABOUT OUR EXECUTIVE OFFICERS The following are the executive officers of the Company as of the date of this filing: Jonathan Banner, ~~55~~ 56 , is Executive Vice President – Chief Global ~~Chief~~ Impact Officer, a position he has held since September 2022. Prior to joining the Company, Mr. Banner served as Executive Vice President, Communications for PepsiCo, Inc., a food and beverage company, from May 2014 to August 2022. Ian Borden, ~~54~~ 55 , is Executive Vice President ~~and~~ – Global Chief Financial Officer, a position he has held since September 2022. Prior to that, Mr. Borden served as President, International, from January 2020 to August 2022, as President – International Developmental Licensed Markets from January 2019 to December 2019 ~~and as President – Foundational Markets from 2015 to December 2018~~ . Mr. Borden has served the Company for ~~28~~ 29 years. Heidi Capozzi, ~~53~~ 54 , is Executive Vice President – Global Chief People Officer, a position she has held since April 2020. Prior to joining the Company, Ms. Capozzi served as Senior Vice President of Human Resources for The Boeing Company, a manufacturer of commercial jetliners and defense, space and security systems, from March 2016 to April 2020. Joseph Erlinger, ~~49~~ 50 , is Executive Vice President – President, McDonald' s USA, a position he has held since November 2019. Prior to that, Mr. Erlinger served as President – International Operated Markets from January 2019 to October 2019 ~~and as President – High Growth Markets from September 2016 to December 2018. From 2015 to January 2017, Mr. Erlinger served as Vice President and Chief Financial Officer – High Growth Markets (serving in dual roles from September 2016 to January 2017)~~ . Mr. Erlinger has served the Company for ~~20~~ 21 years. Morgan Flatley, ~~48~~ 49 , is Executive Vice President ~~-~~ – Global Chief Marketing Officer and New Business Ventures, a position she has held since February 2023. Prior to that, Ms. Flatley served as Senior Vice President- Global Chief Marketing Officer from November 2021 to January 2023 and as Senior Vice President- Chief Marketing and Digital Customer Experience Officer from May 2017 to November 2021. ~~Prior to joining the Company, Ms. Flatley served as Senior Vice President, Chief Marketing Officer, Nutrition for PepsiCo, Inc., a food and beverage company, from 2016 to 2017.~~ Marion Gross, ~~62~~ 63 , is Executive Vice President – Global Chief Supply Chain Officer, a position she has held since September 2022. Prior to that, Ms. Gross served as Senior Vice President – Chief Supply Chain Officer, North America from May 2013 to August 2022. Ms. Gross has served the Company for ~~nearly~~ 30 years. Catherine Hoovel, 52, is Senior Vice President – Corporate Controller, a position she has held since July 2021. Prior to that, Ms. Hoovel served as Vice President – Chief Accounting Officer from October 2016 to July 2021 ~~and as Controller for the McDonald' s restaurants owned and operated by McDonald' s USA from 2014 to 2016~~ . Ms. Hoovel has served the Company for ~~26~~ 27 years. Christopher Kempczinski, ~~54~~ 55 , is President and Chief Executive Officer, a position he has held since November 2019. Prior to that, Mr. Kempczinski served as President, McDonald' s USA from January ~~2016~~ 2017 to October 2019 ~~and~~ . Mr. Kempczinski ~~as~~ has served the Company for eight years. Jill McDonald, 59, is Executive Vice President – ~~Strategy, Business Development and Innovation from 2015 to 2016. Mr. Kempczinski joined the Company from The Kraft Heinz Company, a packaged food company, where he most recently served as Executive Vice President of Growth Initiatives and President of Kraft International from 2014 to 2015. Mr. Kempczinski has served the Company for seven years. Jill McDonald, 58, is Executive Vice President and~~ President, International Operated Markets, a position she has held since September 2022. Prior to re- joining the Company, Ms. McDonald served as Chief Executive Officer for Costa Coffee, a beverage company, from December 2019 to July 2022, as Managing Director, Clothing, Home & Beauty for Marks and Spencer Group plc, a multinational clothing and home products retailer, from October 2017 to July 2019 ~~, and as Chief Executive Officer for Halfords Group plc, an automotive and cycling products and services provider, from 2015 to 2017~~ . Ms. McDonald previously worked at the Company from June 2006 to March 2015 ~~. Kevin Ozan, 59, is Senior Executive Vice President, Strategic Initiatives, a position he has held since September 2022. Prior to that, Mr. Ozan served as Executive Vice President and Chief Financial Officer from 2015 to August 2022 and as Senior Vice President – Controller from 2008 to 2015. Mr. Ozan has served the Company for 25 years~~ . Desiree Ralls- Morrison, ~~56~~ 57 , is Executive Vice President ~~,~~ – Global Chief Legal Officer and ~~Corporate~~ Secretary, a position she has held since April 2021. Prior to joining the Company, Ms. Ralls- Morrison served as Senior Vice President, General Counsel and Corporate Secretary for Boston Scientific Corporation, a medical device manufacturer, from November 2017 to April 2021 ~~and as Senior Vice President, General Counsel and Corporate Secretary for Boehringer Ingelheim USA Corporation, a pharmaceutical company, from 2013 to 2017~~ . Brian Rice, ~~59~~ 60 , is Executive Vice President – Global Chief Information Officer, a position he has held since August 2022. Prior to joining the Company, Mr. Rice served as Executive Vice President, Chief Information Officer and Global Business Services for Cardinal Health, Inc., a healthcare services company, from February 2019 to August 2022, and as Senior Vice President, Chief Information Officer and Global Business Services for the Kellogg Company, a food manufacturing company, from February 2009 to February 2019. Jo Sempels, 56, is Senior Vice President and President, International Developmental Licensed Markets, a position he has held since September 2022. Prior to that, Mr. Sempels served as Senior Vice President- International Developmental Licensed Markets from December 2019 to August 2022, as Vice President, Business Unit Lead International Developmental Licensed Markets Europe from January 2019 to December 2019 ~~and as Vice President- Foundational Markets Europe from 2015 to December 2018~~ . Mr. Sempels has served the Company for 31 ~~over 30~~ years. Manu Steijaert, ~~52~~ 53 , is Executive Vice President – Global Chief Customer Officer, a position he has held since August 2021. Prior to that, Mr. Steijaert served as Vice President, International Operated Markets from January 2019 to July 2021 ~~and as Managing Director, Netherlands from 2015 to January 2019~~ . Mr. Steijaert has served the Company for ~~20~~ 21 years. McDonald' s Corporation ~~2022~~ 2023 Annual Report ~~34~~ 36 AVAILABILITY OF COMPANY INFORMATION The Company is subject to the requirements of the Securities Exchange Act of 1934, as amended (the" Exchange Act"), and therefore files periodic reports, proxy statements and other information with the SEC. Such information may be obtained by visiting the SEC' s website at www. sec. gov. The Company also uses its investor website at www. investor. mcdonalds. com as a primary channel for disclosing key information to its investors, some of which may contain material and previously non- public information. The Company makes available on such website, free of charge, copies of its Annual Reports on Form 10- K, Quarterly Reports on Form 10- Q and Current Reports on Form 8- K, as well as amendments to those reports, filed or furnished pursuant to Section 13 (a) or 15 (d) of the Exchange Act as soon as reasonably practicable after filing or furnishing such material to the SEC. Copies of such information and reports are also available free of charge by calling (800) 228- 9623. The Company also posts the following documents on the “ Corporate Governance ” section of its investor website: the Company’ s Corporate Governance Principles; the charters for each standing committee of the Company' s Board of Directors, including the Audit & Finance Committee, Compensation Committee, Governance Committee, Public Policy & Strategy Committee, and Sustainability & Corporate Responsibility Committee; the Code of Conduct for the Company’ s Board of Directors; and the Company’ s Standards of Business Conduct, which applies to all officers and employees. Copies of these documents are also available free of charge by calling (800) 228- 9623. The Company intends to satisfy the disclosure requirements regarding any applicable amendment to, or waiver from, a provision of its Standards of Business Conduct by disclosing such information at the website address specified above. The websites included in this Form 10- K, including those of the Company and the SEC, are provided for convenience only. Information contained on or accessible through such websites is not incorporated herein and does not constitute a part of this Form 10- K or the Company' s other filings with the SEC. Financial Statements and Supplementary DataIndex to consolidated financial statementsPage referenceConsolidated statement of income for each of the three years in the period ended December 31, ~~202236Consolidated~~ - **202338Consolidated** statement of comprehensive income for each of the three years in the period ended December 31, ~~202237Consolidated~~ - **202339Consolidated** balance sheet at December 31, ~~2022~~ **2023** and ~~202138Consolidated~~ **202240Consolidated** statement of cash flows for each of the three years in the period ended December 31, ~~202239Consolidated~~ - **202341Consolidated** statement of shareholders’ equity for each of the three years in the period ended December 31, ~~202240Notes~~ -- **202342Notes** to consolidated financial ~~statements41Management~~ **statements43Management** ’ s assessment of internal control over financial ~~reporting58Report~~ **reporting61Report** of independent registered public accounting firm- PCAOB ID: ~~4259Report~~ **4262Report** of independent registered public accounting firm on internal control over financial ~~reporting61~~ **reporting64** McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~35~~ **37** Consolidated Statement of Income In millions, except per share dataYears ended December 31, ~~202220212020REVENUESSales~~ ---- **202320222021REVENUESSales** by Company- operated restaurants $ **9, 741. 6 $** 8, 748. 4 $ 9, 787. 4 ~~$ 8, 139. 2~~ Revenues from franchised ~~restaurants14~~ **restaurants15 , 436. 5 14** , 105. 8 13, 085. 4 ~~10, 726. 1~~ Other ~~revenues328~~ **revenues315 . 6 328** . 4 350. 1 ~~342. 5~~ Total ~~revenues23~~ **revenues25 , 493. 7 23** , 182. 6 23, 222. 9 ~~19, 207. 8~~ OPERATING COSTS AND EXPENSESCompany- operated restaurant expensesFood & ~~paper2~~ **paper3 , 039. 0 2** , 737. 3 3, 096. 8 ~~2, 564. 2~~ Payroll & employee benefits2, **885. 8 2,** 617. 4 2, 677. 2 ~~2, 416. 4~~ Occupancy & other operating expenses2, **299. 3 2,** 026. 2 2, 273. 3 ~~2, 000. 6~~ Franchised restaurants- occupancy expenses2, **474. 6 2,** 349. 7 2, 335. 0 ~~2, 207. 5~~ Other restaurant ~~expenses244~~ **expenses232 . 5 244** . 8 260. 4 ~~267. 0~~ Selling, general & administrative expensesDepreciation and ~~amortization370~~ **amortization381 . 7 370** . 4 329. 7 ~~300. 6~~ Other2, ~~492~~ **435** . 2 2, **492. 2 2,** 377. 8 ~~2, 245. 0~~ Other operating (income) expense, ~~net973~~ **net98. 9 973** . 6 (483. 3 ~~) (117. 5~~) Total operating costs and expenses13, **847. 0 13,** 811. 6 12, 866. 9 ~~11, 883. 8~~ Operating ~~income9~~ **income11 , 646. 7 9** , 371. 0 10, 356 ~~. 0 7, 324~~ . 0 Interest expense- net of capitalized interest of $ **14. 5, $** 9. 5 ~~, and~~ **and** $ 6. **81, 360.** 8 **1** ~~and $ 6. 01~~ , 207. 0 1, 185. 8 ~~1, 218. 1~~ Nonoperating (income) expense, ~~net338~~ **net (236. 3) 338** . 6 42. 3 ~~(34. 8)~~ Income before provision for income ~~taxes7~~ **taxes10 , 522. 2 7** , 825. 4 9, 127. 9 ~~6, 140. 7~~ Provision for income ~~taxes1~~ **taxes2 , 053. 4 1** , 648. 0 1, 582. 7 ~~1, 410. 2~~ Net income $ **8, 468. 8 $** 6, 177. 4 $ 7, 545. 2 ~~$ 4, 730. 5~~ Earnings per common share – basic $ **11. 63 $** 8. 39 $ 10. 11 ~~$ 6. 35~~ Earnings per common share – diluted $ **11. 56 $** 8. 33 $ 10. 04 ~~$ 6. 31~~ Dividends declared per common share $ **6. 23 $** 5. 66 $ 5. 25 ~~$ 5. 04~~ Weighted- average shares outstanding – ~~basic736~~ **basic727 . 9 736** . 5 746. 3 ~~744. 6~~ Weighted- average shares outstanding – ~~diluted741~~ **diluted732 . 3 741** . 3 751. 8 ~~750. 1~~ See Notes to consolidated financial statements. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~36~~ **38** Consolidated Statement of Comprehensive ~~Income~~ **IncomeIn** ~~In~~ millionsYears ended December 31, ~~202220212020Net~~ **202320222021Net** income $ **8, 468. 8 $** 6, 177. 4 $ 7, 545. 2 ~~$ 4, 730. 5~~ Other comprehensive income (loss), net of taxForeign currency translation adjustments: Gain (loss) recognized in accumulated other comprehensiveincome (AOCI), including net investment ~~hedges~~ **hedges136 . 1** (354. 1) (216. 2) ~~46. 0~~ Reclassification of (gain) loss to net ~~income504~~ --- **income — 504** . 4 34. 7 ~~17. 1~~ Foreign currency translation adjustments- net of taxbenefit (expense) of $ **94. 1, $** (207. 6), **and** $ (186. 5) **136** ~~, and $ 204~~ . **1** ~~8150~~ - **150** . 3 (181. 5) ~~63. 1~~ Cash flow hedges: Gain (loss) recognized in ~~AOCI160~~ **AOCI (19. 8) 160** . 3 57. 6 ~~(129. 1)~~ Reclassification of (gain) loss to net income (**16. 6) (** 104. 8) 28. 9 ~~5. 8~~ Cash flow hedges- net of tax benefit (expense) of $ **9. 8, $** (16. 0), **and** $ (24. 9) **(** ~~, and $~~ 36. **4)** ~~655~~ - **55** . 5 86. 5 ~~(123. 3)~~ Defined benefit pension plans: Gain (loss) recognized in AOCI (**69. 5) (** 118. 7) 108. 1 ~~(43. 5)~~ Reclassification of (gain) loss to net ~~income~~ **income0 . 4** — — ~~(0. 4)~~ Defined benefit pension plans- net of tax benefit (expense) of $ **22. 2, $** 43. 2, **and** $ (36. 6) **(69** ~~, and $ 9~~ . ~~3~~ **1)** (118. 7) 108. 1 ~~(43. 9)~~ Total other comprehensive income (loss), net of ~~tax87~~ **tax30. 6 87** . 1 13. 1 ~~(104. 1)~~ Comprehensive income $ **8, 499. 4 $** 6, 264. 5 $ 7, 558. 3 ~~$ 4, 626. 4~~ McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~37~~ **39** Consolidated Balance Sheet In millions, except per share dataDecember 31, ~~20222021ASSETSCurrent~~ ---- **20232022ASSETSCurrent** assetsCash and equivalents $ **4, 579. 3 $** 2, 583. 8 ~~$ 4, 709. 2~~ Accounts and notes receivable2, **488. 0 2,** 115. 0 ~~1, 872. 4~~ Inventories, at cost, not in excess of market52. **8 52.** 0 ~~55. 6~~ Prepaid expenses and other current ~~assets673~~ **assets866 . 3 673** . 4 ~~511. 3~~ Total current ~~assets5~~ **assets7 , 986. 4 5** , 424. 2 ~~7, 148. 5~~ Other assetsInvestments in and advances to affiliates1, **080. 2 1,** 064. 5 ~~1, 201. 2~~ ~~Goodwill2~~ **Goodwill3** , ~~900~~ **040** . 4 2, ~~782~~ **900** . ~~5~~ **4** ~~Miscellaneous4~~ **Miscellaneous5 , 617. 8 4** , 707. 2 ~~4, 449. 5~~ Total other ~~assets8~~ **assets9 , 738. 4 8** , 672. 1 ~~8, 433. 2~~ Lease right- of- use asset, ~~net12~~ **net13 , 514. 4 12** , 565. 7 ~~13~~ **Property and equipmentProperty and equipment** , ~~552~~ **at cost43, 570** . 0 **41** ~~Property and equipmentProperty and equipment, at cost41~~ , 037 ~~. 6 41, 916~~ . 6 Accumulated depreciation and amortization (**18, 662. 4) (** 17, 264 ~~. 0) (17, 196~~ . 0) Net property and ~~equipment23~~ **equipment24 , 907. 6 23** , 773 ~~. 6 24, 720~~ . 6 Total assets $ **56, 146. 8 $** 50, 435. 6 ~~$ 53, 854. 3~~ LIABILITIES AND SHAREHOLDERS’ ~~EQUITYCurrent liabilitiesAccounts~~ **EQUITY (DEFICIT) Current liabilitiesShort- term borrowings and current maturities of long- term debt $ 2, 192. 4 $ — Accounts** ~~payable~~ **payable1** ~~$~~ **, 102. 9** 980. 2 ~~$~~ **Lease liability688.** 1 **661** ~~, 006. 8 Lease liability661~~ . 1 ~~705. 5~~ Income ~~taxes274~~ - **taxes705 . 1 274** . 9 ~~360. 7~~ Other ~~taxes255~~ **taxes268 . 0 255** . 1 ~~236. 7~~ Accrued ~~interest393~~ **interest468. 9 393** . 4 ~~363. 3~~ Accrued payroll and other liabilities1, **433. 6 1,** 237. 4 ~~1, 347.~~

~~0~~ Total current ~~liabilities3~~ **liabilities6 , 859. 0 3** , 802. 1 ~~4, 020. 0~~ Long- term ~~debt35~~ **debt37 , 152. 9 35** , 903. 5 ~~35, 622. 7~~ Long- term lease ~~liability12~~ **liability13 , 057. 7 12** , 134. 4 ~~13, 020. 9~~ Long- term income ~~taxes791~~ **taxes363. 2 791** . 9 ~~1, 896. 8~~ Deferred revenues- initial franchise ~~fees757~~ **fees790. 1 757** . 8 ~~738. 3~~ Other long- term ~~liabilities1~~ **liabilities949 . 7 1** , 051. 8 ~~1, 081. 0~~ Deferred income taxes1, **680. 9 1,** 997. 5 ~~2, 075. 6~~ Shareholders' equity (deficit) Preferred stock, no par value; authorized – 165. 0 million shares; issued – none — — Common stock, $ 0. 01 par value; authorized – 3. 5 billion shares; issued – 1, 660. 6 million shares16. 6 16. 6 Additional paid- in capital8, **892. 9 8,** 547. 1 ~~8, 231. 6~~ Retained ~~earnings59~~ **earnings63 , 479. 9 59** , 543. 9 ~~57, 534. 7~~ Accumulated other comprehensive income (loss) (2, **456. 0) (2,** 486. 6 ~~) (2, 573. 7~~) Common stock in treasury, at cost; **937. 9 and** 929. 3 ~~and 915. 8~~ million shares (**74, 640. 1) (** 71, 624. 4 ~~) (67, 810. 2~~) Total shareholders' equity (deficit) (**4, 706. 7) (** 6, 003. 4 ~~) (4, 601. 0~~) Total liabilities and shareholders' equity (deficit) $ **56, 146. 8 $** 50, 435. 6 ~~$ 53, 854. 3~~

McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~38~~ **40** Consolidated Statement of Cash Flows In millionsYears ended December 31, ~~202220212020Operating~~ ---- **202320222021Operating** activitiesNet income $ **8, 468. 8 $** 6, 177. 4 $ 7, 545. 2 ~~$ 4, 730. 5~~ Adjustments to reconcile to cash provided by operationsCharges and credits: Depreciation and amortization 1, **978. 2 1,** 870. 6 1, 868. 1 ~~1, 751. 4~~ Deferred income taxes (**686. 4) (** 345. 7) (428. 3) ~~6. 4~~ Share- based ~~compensation166~~ **compensation175 . 2 166** . 7 139. 2 ~~92. 4~~ Net (gain) loss on sale of restaurant and other ~~businesses732~~ --- **businesses (103. 2) 732** . 7 (97. 8) ~~(28. 2)~~ Other (**112. 7) (** 570. 4) (339. 1 ~~) (75. 2~~) Changes in working capital items: Accounts receivable (**161. 0) (** 264. 1) 309. 9 ~~(6. 8)~~ Inventories, prepaid expenses and other current ~~assets5~~ **assets16 . 7 5** . 6 (62. 2) ~~(68. 6)~~ Accounts ~~payable31~~ **payable50 . 4 31** . 3 225. 0 ~~(137. 5)~~ Income taxes (**220. 3) (** 546. 7) (302. 5 ~~) (43. 6~~) Other accrued ~~liabilities129~~ - **liabilities206 . 2 129** . 3 284. 0 ~~44. 4~~ Cash provided by ~~operations7~~ **operations9 , 611. 9 7** , 386. 7 9, 141. 5 ~~6, 265. 2~~ Investing activitiesCapital expenditures (**2, 357. 4) (** 1, 899. 2) (2, 040. 0 ~~) (1, 640. 8~~) Purchases of restaurant businesses (**441. 2) (** 807. 0) (374. 2) ~~(66. 1)~~ Sales of restaurant and other ~~businesses445~~ **businesses195 . 3 445** . 9 196. 2 ~~76. 3~~ Sales of ~~property38~~ **property94 . 9 38** . 9 106. 2 ~~27. 4~~ Other (**676. 1) (** 456. 7) (53. 9) ~~57. 4~~ Cash used for investing activities (**3, 184. 5) (** 2, 678. 1) (2, 165. 7 ~~) (1, 545. 8~~) Financing activitiesNet short- term ~~borrowings25~~ **borrowings212 . 8 25** . 5 15. 1 ~~(893. 1)~~ Long- term financing ~~issuances3~~ **issuances5 , 221. 1 3** , 374. 5 1, 154. 4 ~~5, 543. 0~~ Long- term financing repayments (2, **441. 1) (2,** 202. 4) (2, 240. 0 ~~) (2, 411. 7~~) Treasury stock purchases (3, **054. 3) (3,** 896. 0) (845. 5 ~~) (907. 8~~) Common stock dividends (4, **532. 8) (4,** 168. 2) (3, 918. 6 ~~) (3, 752. 9~~) Proceeds from stock option ~~exercises248~~ **exercises259 . 8 248** . 2 285. 7 ~~295. 5 Other38~~ -- **Other (39. 6) 38** . 2 (46. 7 ~~) (122. 0~~) Cash used for financing activities (**4, 374. 1) (** 6, 580. 2) (5, 595. 6 ~~) (2, 249. 0~~) Effect of exchange rates on cash and equivalents (**57. 8) (** 253. 8) (120. 1) ~~80. 2~~ Cash and equivalents increase (decrease) **1, 995. 5** (2, 125. 4) 1, 260. 1 ~~2, 550. 6~~ Cash and equivalents at beginning of ~~year4~~ **year2 , 583. 8 4** , 709. 2 3, 449. 1 ~~898. 5~~ Cash and equivalents at end of year $ **4, 579. 3 $** 2, 583. 8 $ 4, 709. 2 ~~$ 3, 449. 1~~ Supplemental cash flow disclosuresInterest paid $ 1, **286. 9 $ 1,** 183. 5 $ 1, 197. 3 ~~$ 1, 136. 0~~ Income taxes ~~paid3~~ **paid2 , 992. 9 3** , 023. 5 2, 403 ~~. 9 1, 441~~ . 9

McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~39~~ **41** Consolidated Statement of Shareholders' Equity **(Deficit)** Common stockissued Accumulated othercomprehensive income (loss) Common stock intreasuryTotalshareholders' equity (deficit) Additionalpaid-incapitalRetainedearningsPensionsCash flowhedgesForeigncurrencytranslationIn millions, except per share dataSharesAmountSharesAmountBalance at December 31, ~~20191~~ **20201** , 660. 6 **$** 16. 6 **$** 7, **903. 6 $** ~~653~~ - **53, 908. 1 $ (287. 6) $ (111. 3) $ (2, 187** . 9 **)** ~~52, 930. 5~~ (~~243~~ **915** . **2) $ (67, 066. 4) $ (** 7 ~~) 12~~ **, 824** . ~~0~~ **(9) Net income7, 545.** 2 **7** , ~~251~~ **545** . **2** ~~0) (914. 3) (66, 328. 6) (8, 210. 3) Net income4, 730. 5 4, 730. 5~~ Other comprehensive income (loss), net of **tax108.1** 86.5 (181.5) 13.1 Comprehensive ~~income~~ **income7** ~~7~~ ,558.3 Common stock cash dividends ($ 5.25 per share) (3,918.6) (3,918.6) Treasury stock purchases (3.4) (845.5) (845.5) Share- based ~~compensation~~ **compensation139** ~~139~~ .2 139.2 Stock option exercises and ~~other~~ **other188** ~~188~~ .8 2.8 101.7 290.5 Balance at December 31,20211,660.6 16.6 8,231.6 57,534.7 (179.5) (24.8) (2,369.4) (915.8) (67,810.2) (4,601.0) Net income 6,177.4 6,177.4 Other comprehensive income (loss),net of tax (118.7) 55.5 150.3 87.1 Comprehensive income 6,264.5 Common stock cash dividends ($ 5.66 per share) (4,168.2) (4,168.2) Treasury stock purchases (15.8) (3,896.0) (3,896.0) Share- based compensation 166.7 166.7 Stock option exercises and other 148.8 2.3 81.8 230.6 Balance at December 31,20221,660.6 ~~$~~ 16.6 ~~$~~ 8,547.1 **59, 43** ~~-~~ **543** . 9 ~~)~~ (~~123~~ **298. 2) 30. 7 (2, 219. 1) (929** . 3) ~~63~~ **(71, 624. 4) (6, 003. 4) Net income 8, 468. 8 8, 468. 8 Other comprehensive income (loss), net of tax (69** . 1 **)** (~~104~~ **36. 4) 136** . 1 ~~)~~ **30. 6** Comprehensive ~~income4~~ - **income 8** , ~~626~~ **499** . 4 Common stock cash dividends ($ ~~5~~ **6** . ~~04~~ **23** per share) (~~3~~ **4** , ~~752~~ **532** . ~~9~~ **8**) (~~3~~ **4** , ~~752~~ **532** . ~~9~~ **8**) Treasury stock purchases (~~4~~ **11** . **1) (** 3 **, 105** ~~) (874~~ . 1) (~~874~~ **3, 105** . 1) Share- based ~~compensation92~~ -- **compensation 175** . ~~4 92~~ **2 175** . ~~4~~ **2** Stock option exercises and ~~other157~~ --- **other 170** . ~~3 3~~ **6 2. 5 89** . 4 ~~136~~ **260** . **0** ~~3 293. 6~~ Balance at December 31, ~~20201~~ **20231** , 660. 6 **$** 16. 6 **$ 8, 892. 9 $ 63, 479. 9 $ (367. 3) $ (5.** 7 **) $ (2** , ~~903~~ **083** . ~~6 53~~ **0) (937. 9) $ (74** , ~~908~~ **640** . 1 ~~(287. 6~~) **$** (~~111. 3) (2, 187. 9) (915. 2) (67, 066. 4~~ ~~) (~~ **, 706.** 7 , 824. 9) Net income...... $ (6, 003. 4)

McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~40~~ **42** 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 franchised arrangements, and developmental licensees or affiliates under license agreements. The following table presents restaurant information by ownership type: Restaurants at December 31, ~~202220212020Conventional~~ ---- **202320222021Conventional** franchised21 **, 818 21** , 720 21, 607 ~~21, 712~~ Developmental licensed8, **684 8,** 229 7, 913 ~~7, 663~~ Foreign ~~affiliated8~~ **affiliated9 , 178 8** , 220 7, 775 ~~7, 146~~ Total ~~Franchised38~~ **Franchised39 , 680 38** , 169 37, 295 ~~36, 521~~ Company- operated2 **, 142 2** , 106 2, 736 ~~2, 677~~ Total Systemwide ~~restaurants40~~ **restaurants41 , 822 40** , 275 40, 031 ~~39, 198~~ 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 China and 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates. FOREIGN CURRENCY TRANSLATION Generally, the functional currency of operations outside the U. S. is the respective local currency. RECENT ACCOUNTING PRONOUNCEMENTS ~~Recently~~ -- **Recent** ~~Adopted~~ Accounting Pronouncements ~~Leases~~ **Not Yet Adopted Segment Reporting** In ~~July~~ **November** ~~2021~~ **2023**, the Financial Accounting Standards Board (the" FASB") issued Accounting Standards Update (" ASU") No. ~~2021~~ **2023** - ~~05~~ **07**," ~~Leases~~ **Segment Reporting** (Topic ~~842~~ **280**): **Improvements to Reportable Segment Disclosures** ~~Lessors — Certain Leases with Variable Lease Payments~~ " (" ASU ~~2021~~ **2023** - ~~05~~ **07** "). The pronouncement ~~amends the current guidance on classification~~ **expands annual and interim disclosure requirements** for **reportable segments** ~~a lease that includes variable lease payments that do not depend on an index or rate. Under the amended guidance~~ , **primarily through enhanced disclosures about significant segment expenses** ~~a lessor must classify as an operating lease any lease that would otherwise be classified as a sales- type or direct financing lease and that would result in the recognition of a selling loss at lease commencement~~ . ASU ~~2021~~ **2023** - ~~05~~ **07** is effective for fiscal years beginning after December 15, ~~2021~~ **2023**, ~~including applicable~~ **and for** interim periods **beginning after December 15** ~~. The Company adopted the new standard effective January 1~~ , ~~2022~~ **2024**. ~~The adoption~~ **We are currently in the process** of ~~this standard did not~~ **determining the impact that ASU 2023- 07 will** have ~~a material effect on the Company' s consolidated financial statements. Reference Rate Reform In March 2020, the FASB issued ASU No. 2020- 04, " Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" (" ASU 2020- 04 "). The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The adoption of this standard did not have a material effect~~ on the Company' s consolidated financial ~~statements~~ **statement disclosures** . ~~McDonald~~ **Income Taxes In December 2023, the Financial Accounting Standards Board (the" FASB") issued Accounting Standards Update (" ASU") No. 2023- 09," Income Taxes (Topic 740): Improvements to Income Tax Disclosures" (" ASU 2023- 09"). The pronouncement expands the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023- 09 is effective for fiscal years beginning after December 15, 2024. We are currently in the process of determining the impact that ASU 2023- 09 will have on the Company** ' s ~~Corporation 2022 Annual Report 41~~ **consolidated financial statement disclosures.** REVENUE RECOGNITION The Company' s revenues consist of sales by Company- operated restaurants and fees from restaurants operated by franchisees, developmental licensees and affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to developmental licensees and affiliates include a royalty based on a percent of sales, and generally include initial fees. The Company' s Other revenues are comprised of fees paid by franchisees to recover a portion of costs incurred by the Company for various technology platforms, revenues from brand licensing arrangements to market and sell consumer packaged goods using the McDonald' s brand and third- party revenues for the Dynamic Yield business, for periods prior to its sale on April 1, 2022. **McDonald' s Corporation 2023 Annual Report 43** Sales by Company- operated restaurants are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales- related taxes. Royalty revenues are based on a percent of sales and recognized at the time the underlying sales occur. Rental income includes both minimum rent payments, which are recognized straight- line over the franchise term ~~(with the exception of rent concessions as a result of COVID- 19 – refer to the Leasing section that follows)~~ and variable rent payments based on a percent of sales, which are recognized at the time the underlying sales occur. Initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years. The Company provides goods or services related to various technology platforms to certain franchisees that are distinct from the franchise agreement because they do not require integration with other goods or services that the Company provides. The Company has determined that it is the principal in these arrangements. Accordingly, the related revenue is presented on a gross basis on the Consolidated Statement of Income. These revenues are recognized as the goods or services are transferred to the franchisee, and related expenses are recognized as incurred. Brand licensing arrangement revenues are based on a percent of sales and are recognized at the time the underlying sales occur. For periods prior to April 1, 2022, Dynamic Yield third party revenues were generated from providing software as a service solutions to customers and were recognized over the applicable subscription period as the service was performed. 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 certain option periods; and equipment – 3 to 12 years. The Company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment, or if technological changes occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the accelerated recognition of depreciation and amortization expense or write- offs in future periods. The Company may share in the cost of certain restaurant improvements with its franchisees ~~, primarily in the U. S~~ . Since McDonald' s manages the project and provides up front funding in these instances, during the project the Company estimates which costs are the responsibility of McDonald' s and which are the responsibility of the franchisee, and allocates the corresponding costs between Property and equipment and Accounts receivable. Upon the completion of the project, the allocation of costs is finalized and may result in immaterial adjustments to the balances and associated depreciation expense. Refer to the Property and Equipment footnote on page ~~49~~ **50** of this Form 10- K for additional information. LEASING The Company is the lessee in a significant real estate portfolio, primarily through ground leases (the Company leases the land and generally owns the building) and through improved leases (the Company leases the land and buildings). The Lease right- of- use asset and Lease liability reflect the present value of the Company' s estimated future minimum lease payments over the lease term, which includes options that are reasonably assured of being exercised, discounted using the rate implicit in each lease, if determinable, or a collateralized incremental borrowing rate considering the term of the lease and particular currency environment. Leases with an initial term of 12 months or less, primarily related to leases of office equipment, are not included in the Lease right- or- use asset or Lease liability and continue to be recognized in the Consolidated Statement of Income on a straight- line basis over the lease term. The Company has elected not to separate non- lease components from lease components in its lessee portfolio. To the extent that occupancy costs, such as site maintenance, are included in the asset and liability, the impact is immaterial and is generally limited to Company- owned restaurant locations. For franchised locations, which represent the majority of the restaurant portfolio, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement. In addition, the Company is the lessee under non- restaurant related leases such as office buildings, vehicles and office equipment. These leases are not a material subset of the Company' s lease portfolio. ~~In 2020, the Company elected the practical expedient to account for COVID- 19 related rent concessions as if they were part of the enforceable rights and obligations of the parties under the existing lease contract. This was elected for the Company' s entire lessee and lessor portfolio for any rent deferrals or rent abatements. For the lessee portfolio, the Company elected not to remeasure the Lease right- of- use asset and Lease liability if a rent deferral or a rent abatement was granted. Refer to the Leasing Arrangements footnote on page 50 of this Form 10- K for additional information on the Lease right- of- use asset and Lease liability. Rental income includes both minimum rent payments and variable rent payments based on a percent of sales. Refer to the Franchise Arrangements footnote on page 49 of this Form 10- K for additional information on deferred collections of rental income as well as royalties. McDonald' s Corporation 2022 Annual Report 42~~ CAPITALIZED SOFTWARE Capitalized software is stated at cost and amortized using the straight- line method over the estimated useful life of the software, which primarily ranges from ~~2~~ **3** to 10 years. Customer facing software is typically amortized over a shorter useful life, while back office and Corporate systems may have a longer useful life. Capitalized software less accumulated amortization is recorded within Miscellaneous other assets on the Consolidated Balance Sheet and was (in millions): **2023- $ 836. 0;** 2022- $ 864. 3; 2021- $ 795. 0 ~~; 2020- $ 691. 2~~ . The Company reviews capitalized software for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or if an indicator of impairment exists, which occurs more regularly throughout the year, such as when new software may be ready for its intended use. **Results for the year ended December 31, 2023 reflected the write- off of impaired software no longer in use of $ 71. 7 million.** The Company did not identify any indicators of material impairment of capitalized software for the years ended December 31, 2022 and 2021 ~~. Results for 2020 reflected write- offs of impaired software of $ 26. 3 million~~ . LONG- LIVED ASSETS Long- lived assets are reviewed for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of annually reviewing McDonald' s restaurant assets for potential impairment, assets are initially grouped together in the U. S. at a field office level, and internationally, at a market level. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, an individual restaurant' s cash flows are not generally independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value as determined by an estimate of discounted future cash flows. Losses on assets held for disposal are recognized when management and the Company' s Board of Directors, as required, have approved and committed to a plan to dispose of the assets, the assets are available for disposal and the disposal is probable of occurring **McDonald' s Corporation 2023 Annual Report 44** within 12 months, and the net sales proceeds are expected to be less than its net book value, among other factors. Generally, such losses are related to restaurants that have closed and ceased operations as well as other assets that meet the criteria to be considered " held for sale." GOODWILL Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired restaurants and other businesses, and it is generally assigned to the reporting unit (defined as each individual market) expected to benefit from the synergies of the combination. The Company' s goodwill primarily results from purchases of McDonald' s restaurants from franchisees or transactions in which the Company obtains a controlling interest in subsidiaries or affiliates. When purchasing restaurants from a franchisee, the Company generally uses a discounted cash flow methodology (Level 3 inputs within the valuation hierarchy), which determines the fair value of restaurants acquired based on their expected profitability and cash flows. ~~During 2022, the Company acquired restaurants from franchisees in order to expand its Company-operated restaurant footprint in key growth areas and to support key strategic franchising initiatives. In conjunction with these purchases, the Company recorded approximately $ 75 million of net tangible assets, $ 525 million of identifiable intangible assets (primarily consisting of reacquired franchise rights) and $ 190 million of goodwill. These acquisitions did not have a material impact on the amount of recorded revenues or net income of the Company.~~ If a Company- operated restaurant is sold within 24 months of acquisition, the goodwill associated with the acquisition is written off in its entirety. If a Company-operated restaurant is sold beyond 24 months ~~months~~ from the acquisition, the amount of goodwill written off is based on the relative fair value of the business sold compared to the reporting unit. The following table presents the ~~2022~~ **2023** activity in goodwill by segment: In millionsU. S. InternationalOperated MarketsInternational Developmental Licensed Markets & CorporateConsolidatedBalance at December 31, ~~2021~~ **2022** $ 1, ~~673~~ **815. 2 $ 1, 085. 2 $ — $ 2, 900** . 4 ~~$ 1, 109. 1 $ — $ 2, 782. 5~~ Net restaurant purchases (sales) ~~141~~ **17** . ~~8 47~~ **7 89** . ~~0~~ **7** — ~~188~~ **107** . ~~8~~ **4** Currency translation — **32** ~~(70~~ . **6** ~~9)~~ — **32** ~~(70~~ . **6** ~~9)~~ Balance at December 31, ~~2022~~ **2023** $ 1, ~~815~~ **832** . ~~2~~ **9** $ 1, ~~085~~ **207** . ~~2~~ **5** $ — $ ~~2~~ **3** , ~~900~~ **040** . 4 The Company conducts goodwill impairment testing in the fourth quarter of each year or whenever indicators of impairment exist. If an indicator of impairment exists, the goodwill impairment test compares the fair value of a reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recorded for the difference. In the current period, the Company performed a qualitative assessment and did not identify any indicators of impairment. Historically, goodwill impairment has not significantly impacted the consolidated financial statements. Goodwill on the Consolidated Balance Sheet reflects accumulated impairment losses of $ 14. 5 million as of December 31, **2023 and** 2022 ~~and 2021~~. ADVERTISING COSTS Advertising costs included in operating expenses of Company- operated restaurants primarily consist of contributions to advertising cooperatives based upon a percent of sales, and were (in millions): **2023 – $ 347. 2;** 2022 – $ 334. 5; 2021 – $ 377. 6 ~~; 2020 – $ 325. 5. The decrease in 2022 is primarily due to lower sales in the International Operated Markets as a result of the sale of the Company' s business in Russia and the temporary restaurant closures in Ukraine~~. In addition, significant advertising costs are incurred by conventional franchisees through contributions to advertising cooperatives in individual markets that are also based upon a percent of sales. In the markets that make up the vast majority of the Systemwide advertising spend, including the U. S., McDonald’ s is not the primary beneficiary of these entities, and therefore has concluded that consolidation would not be appropriate, as the Company does not have the power through voting or similar rights to direct the activities of the cooperatives that most significantly impact their economic performance. ~~McDonald' s Corporation 2022 Annual Report 43~~ 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 are included in Selling, general & administrative expenses and were (in millions): **2023 – $ 41. 7;** 2022 – $ 63. 8; 2021 – $ 82. 9 ~~; 2020 – $ 329. 2. Results for 2020 included about $ 175 million of incremental marketing contributions by the Company to the System' s advertising cooperative arrangements across the U. S. and International Operated Markets, as well as higher investments in brand communications~~. INCOME TAXES Income Tax Uncertainties The Company, like other multi- national companies, is regularly audited by federal, state and foreign tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management’ s judgment, a tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may still be recorded depending on management’ s assessment of how the tax position will ultimately be settled. The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting basis and the tax basis of existing assets and liabilities. The Company records a valuation allowance to reduce its deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax strategies, including the sale of appreciated assets, in assessing the need for the valuation allowance, if these estimates and assumptions change in the future, the Company may be required to adjust its valuation allowance. This could result in a charge to, or an increase in, income in the period such determination is made. Refer to the Income Taxes footnote on page ~~52~~ **55** of this Form 10- K for additional information. Accounting for Global Intangible Low- Taxed Income (" GILTI") The accounting policy of the Company is to record any tax on GILTI in the provision for income taxes in the year it is incurred. FAIR VALUE MEASUREMENTS The Company measures certain financial assets and liabilities at fair value on a recurring basis, and certain non- financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the **McDonald' s Corporation 2023 Annual Report 45** principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three- level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows: ▪ Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market. ▪ Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model- derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability. ▪ Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability. Certain of the Company’ s derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and foreign currency rates, classified as Level 2 within the valuation hierarchy. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company. ▪ Certain Financial Assets and Liabilities Measured at Fair Value The following tables present financial assets and liabilities measured at fair value on a recurring basis by the valuation hierarchy as defined in the fair value guidance: December 31, ~~2022In~~ **2023In** millionsLevel 1 (1) Level 2Total **CarryingValueInvestments** ~~CarryingValueDerivative assets~~ $ ~~200~~ **191** . 5 $ **191** ~~82. 0 $ 282~~ . 5 Derivative **assets $ 188. 6 $ 20. 7 $ 209. 3 Derivative** liabilities $ (~~141~~ **118** . ~~7~~ **2**) $ (~~141~~ **118** . ~~7~~ **2**) December 31, ~~2021In~~ **2022In** millionsLevel 1 (1) Level 2 Total CarryingValueDerivative assets $ ~~209~~ **200** . ~~8~~ **5** $ ~~79~~ **82** . ~~8~~ **0** $ ~~289~~ **282** . ~~6~~ **5** Derivative liabilities $ (**141.** 7 ~~. 9~~) $ (**141.** 7 ~~. 9~~) (1) Level 1 is comprised of derivatives **and investments** that hedge market driven changes in liabilities associated with the Company’ s supplemental benefit plans. ~~McDonald' s Corporation 2022 Annual Report 44~~ ▪ Non- Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e. g., when there is evidence of impairment). For the years ended December 31, **2023 and** 2022 ~~and 2021~~, the Company did not record any material fair value adjustments to long- lived assets (including goodwill). ▪ Certain Financial Assets and Liabilities not Measured at Fair Value At December 31, ~~2022~~ **2023** , the fair value of the Company’ s debt obligations was estimated at $ ~~33~~ **38** . ~~5~~ **4** billion, compared to a carrying amount of $ ~~35~~ **39** . ~~9~~ **3** billion. The fair value ~~was~~ **of debt obligations is** based ~~on~~ **upon** quoted market prices, **classified as** Level 2 within the valuation hierarchy. The carrying amount of cash and equivalents and notes receivable approximate fair value. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not hold or issue derivatives for trading purposes. The Company documents its risk management objective and strategy for undertaking hedging transactions, as well as all relationships between hedging instruments and hedged items. The Company' s derivatives that are designated for hedge accounting consist mainly of interest rate swaps, foreign currency forwards, and cross- currency interest rate swaps, and are classified as either fair value, cash flow or net investment hedges. Further details are explained in the" Fair Value,"" Cash Flow" and" Net Investment" hedge sections. The Company enters into certain derivatives that are not designated for hedge accounting. The Company has entered into equity derivative contracts, including total return swaps, to hedge market- driven changes in certain of its supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Further details are explained in the " Undesignated Derivatives " section. All derivatives (including those not designated for hedge accounting) are recognized on the Consolidated Balance Sheet at fair value and classified based on the instruments' maturity dates. Changes in the fair value measurements of the derivative instruments are reflected as adjustments to AOCI and / or current earnings. **McDonald' s Corporation 2023 Annual Report 46** The following table presents the fair values of derivative instruments included on the Consolidated Balance Sheet as of December 31, **2023 and** 2022 ~~and 2021~~: Derivative AssetsDerivative LiabilitiesIn millionsBalance Sheet ~~Classification20222021Balance~~ **Classification20232022Balance** Sheet ~~Classification20222021Derivatives~~ **Classification20232022Derivatives** designated as hedging instrumentsForeign currencyPrepaid expenses and other current assets $ **8. 5 $** 53. 3 ~~$ 42. 4~~ Accrued payroll and other liabilities $ (**37. 3) $ (** 17. 9 ~~) $ (3. 3~~) Interest ratePrepaid expenses and other current ~~assets~~ **assets4 . 3 $** — ~~$ 0. 3~~ Accrued payroll and other liabilities ~~—~~ **(3. 6)** — Foreign currencyMiscellaneous other ~~assets28~~ - **assets2. 4 28** . 7 ~~28. 0~~ Other long- term liabilities (**14. 3) (** 30. 7 ~~) (0. 5~~) Interest rateMiscellaneous other assets — **—** ~~8. 6~~ Other long- term liabilities (**58. 2) (** 91. 5 ~~) (4. 1~~) Total derivatives designated as hedging instruments $ **15. 2 $** 82. 0 $ ~~79~~ **(113** . ~~3~~ **4)** $ (140. 1 ~~) $ (7. 9~~) Derivatives not designated as hedging instrumentsEquityPrepaid expenses and other current assets $ **— $** 200 ~~. 5 $ 9~~ . 5 Accrued payroll and other ~~liabilities~~ **liabilitiesForeign** ~~$ (1. 6) $ — Foreign~~ currencyPrepaid expenses and other current ~~assets~~ **assets5 . 5** — ~~0. 5~~ Accrued payroll and other liabilities ~~— —~~ **(4. 8) (1. 6)** EquityMiscellaneous other ~~assets~~ **assets188 . 6** — ~~200. 3~~ Total derivatives not designated as hedging instruments $ **194. 1 $** 200. 5 $ ~~210~~ **(4** . ~~3~~ **8)** $ (1. 6) ~~$ —~~ Total derivatives $ **209. 3 $** 282. 5 $ ~~289~~ **(118** . ~~6~~ **2)** $ (141. 7 ~~) $ (7. 9~~) The following table presents the pre- tax amounts from derivative instruments affecting income and AOCI for the year ended December 31, **2023 and** 2022 ~~and 2021~~, respectively: ~~McDonald' s Corporation 2022 Annual Report 45~~ Location of gain or lossrecognized in income onderivativeGain (loss) recognized in AOCIGain (loss) reclassifiedinto income from AOCIGain (loss) recognized inincome on derivativeIn ~~millions202220212022202120222021Foreign~~ **millions202320222023202220232022Foreign** currencyNonoperating income / expense $ **(39. 7) $** 122. 5 $ ~~74~~ **20** . 2 $ 137. 8 ~~$ (30. 9)~~ Interest rateInterest ~~expense83~~ **expense14 . 6 83** . 9 ~~—~~ **0. 9** (2. 9 ~~) (6. 3~~) Cash flow hedges $ **(25. 1) $** 206. 4 $ ~~74~~ **21** . ~~2~~ **1** $ 134. 9 ~~$ (37. 2)~~ Foreign currency denominated debtNonoperating income / expense $ **(435. 2) $** 902. 8 ~~$ 725. 8 47. 1~~ Foreign currency derivativesNonoperating income / ~~expense~~ **expense40 . 1** (12. 0) ~~40. 2~~ Foreign currency derivatives (1) Interest expense $ **25. 8 $** 11. 2 ~~$ 14. 7~~ Net investment hedges $ **(395. 1) $** 890. 8 $ ~~766~~ **25** . **8** ~~0 $ 47. 1~~ $ 11. 2 ~~$ 14. 7~~ Foreign currencyNonoperating income / expense $ **4. 3 $** 9. 3 ~~$ 9. 4~~ EquitySelling, general & administrative ~~expenses~~ **expenses26 . 8** (9 ~~. 3) 99. 3 EquityOther operating income / expense, net — (11~~ . 3) Undesignated derivatives $ **31** ~~— $ 97~~ . ~~4~~ **1** (1) The amount of gain (loss) recognized in income related to components excluded from effectiveness testing. Fair Value Hedges The Company enters into fair value hedges to reduce the exposure to changes in fair values of certain liabilities. The Company enters into fair value hedges that convert a portion of its fixed rate debt into floating rate debt by use of interest rate swaps. At December 31, ~~2022~~ **2023** , the carrying amount of fixed- rate debt that was effectively converted was an equivalent notional amount of $ 1. ~~2~~ **0** billion, which included a decrease of $ ~~91~~ **61** . ~~5~~ **8** million of cumulative hedging adjustments. For the year ended December 31, ~~2022~~ **2023** , the Company recognized a $ ~~96~~ **29** . ~~3~~ **7** million ~~loss~~ **gain** on the fair value of interest rate swaps, and a corresponding ~~gain~~ **loss** on the fair value of the related hedged debt instrument to interest expense. Cash Flow Hedges The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses foreign currency forwards to hedge a portion of anticipated exposures. The hedges cover up to the next 18 months for certain exposures and are denominated in various currencies. As of December 31, ~~2022~~ **2023** , the Company had derivatives outstanding with an equivalent notional amount of $ 1. ~~5~~ **9** billion that hedged a portion of forecasted foreign currency denominated **cash flows. To protect against the variability of interest rates on anticipated bond issuances, the Company may use treasury locks to hedge a portion of expected future cash flows. As of December 31, 2023, the Company had derivatives outstanding with a notional amount of $ 150. 0 million that hedge a portion of forecasted** cash flows. Based on market conditions at December 31, ~~2022~~ **2023** , the $ ~~30~~ **5** . ~~7~~ **6** million in cumulative cash flow hedging ~~gains~~ **losses** , after tax, is not expected to have a significant effect on earnings over the next 12 months. **McDonald' s Corporation 2023 Annual Report 47** Net Investment Hedges The Company uses foreign currency denominated debt (third **-** party and intercompany) **and** ~~as well as~~ foreign currency derivatives to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of Other comprehensive income (" OCI") and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of December 31, ~~2022~~ **2023** , $ ~~12~~ **14** . ~~2~~ **4** billion of the Company' s third **-** party foreign currency denominated debt, $ ~~679~~ **555. 0** million of **the Company' s** intercompany foreign currency denominated debt ~~,~~ and $ ~~585~~ **606. 4** million of foreign currency derivatives were designated to hedge investments in certain foreign subsidiaries and affiliates. **Undesignated Hedges** The Company enters into certain derivatives that are not designated for hedge accounting. Therefore, the changes in the fair value of these derivatives are recognized immediately in earnings together with the gain or loss from the hedged balance sheet position. As an example, the Company enters into equity derivative contracts, including total return swaps, to hedge market- driven changes in certain of its supplemental benefit plan liabilities. **The Company may also use certain investments to hedge changes in these liabilities.** Changes in the fair value of these derivatives **or investments** are recorded in Selling, general & administrative expenses together with the changes in the supplemental benefit plan liabilities. In addition, the Company uses foreign currency forwards to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. The changes in the fair value of these derivatives are recognized in Nonoperating (income) expense, net, along with the currency gain or loss from the hedged balance sheet position. Credit Risk The Company is exposed to credit- related losses in the event of non- performance by its derivative counterparties. The Company did not have significant exposure to any individual counterparty at December 31, ~~2022~~ **2023** and has master agreements that contain netting arrangements. For financial reporting purposes, the Company presents gross derivative balances in ~~the~~ **its** financial statements and supplementary data, including for counterparties subject to netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At December 31, ~~2022~~ **2023** , the Company was required to post $ ~~78~~ **82. 8** million of collateral due to the negative fair value of certain derivative positions. The Company' s counterparties were not required to post collateral on any derivative position, other than on certain hedges of the Company’ s supplemental benefit plan liabilities where the counterparties were required to post collateral on their liability positions. ~~McDonald' s Corporation 2022 Annual Report 46~~ SHARE- BASED COMPENSATION The Company has 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. Share- based compensation, which includes the portion vesting of all share- based awards granted based on the grant date fair value, is generally amortized on a straight- line basis over the vesting period in Selling, general & administrative expenses. The fair value of each stock option granted is estimated on the date of grant using a closed- form pricing model. The pricing model requires assumptions, which impact the assumed fair value, including the expected life of the stock option, the risk- free interest rate, expected volatility of the Company’ s stock over the expected life and the expected dividend yield. The Company uses historical data to determine these assumptions and if these assumptions change significantly for future grants, share- based compensation expense will fluctuate in future years. In addition, the Company estimates forfeitures when determining the amount of compensation costs to be recognized each period. The fair value of each RSU granted is equal to the market price of the Company’ s stock at date of grant. For performance- based RSUs, the Company includes a relative Total Shareholder Return (" TSR") modifier to determine the number of shares earned at the end of the performance period. The fair value of performance- based RSUs that include the TSR modifier is determined using a Monte Carlo valuation model. Refer to the Share- based Compensation footnote on page ~~56~~ **59** of this Form 10- K for additional information. PER COMMON SHARE INFORMATION Diluted earnings per common share is calculated using net income divided by diluted weighted- average shares. Diluted weighted- average shares include weighted- average shares outstanding plus the dilutive effect of share- based compensation calculated using the treasury stock method, of (in millions of shares): **2023 – 4. 4;** 2022 – 4. 8; 2021 ~~– 5. 5; 2020~~ – 5. 5. Share- based compensation awards that were not included in diluted weighted- average shares because they would have been antidilutive were (in millions of shares): **2023 – 2. 0;** 2022 – 1. 5; 2021 – 2. 2 ~~; 2020 – 1. 8~~ . CASH AND EQUIVALENTS The Company considers short- term, highly liquid investments with an original maturity of 90 days or less to be cash equivalents. As of December 31, ~~2022~~ **2023** , Cash and equivalents was $ ~~2~~ **4** . 6 billion of which $ ~~1~~ **4** . ~~8~~ **0** billion consisted of certificates of deposit. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~47~~ **48** Segment and Geographic Information McDonald’ s operates under an organizational structure with the following global business segments reflecting how management reviews and evaluates operating performance: • U. S.- the Company’ s largest market. The segment is 95 % franchised as of December 31, ~~2022~~ **2023** . • International Operated Markets- comprised of markets, or countries in which the Company operates and franchises restaurants, including Australia, Canada, France, Germany, Italy, **Poland** ~~the Netherlands~~ , Spain and the U. K. The segment is 89 % franchised as of December 31, ~~2022~~ **2023** . • International Developmental Licensed Markets & Corporate- comprised primarily of developmental licensee and affiliate markets in the McDonald’ s system. Corporate activities are also reported in this segment. The segment is 98 % franchised as of December 31, ~~2022~~ **2023** . In December 2021 and April 2022, the Company completed the divestitures of Apprente (McD Tech Labs) and Dynamic Yield, respectively. Additionally, in June 2022, the Company sold its business in Russia. Prior to their respective dates of sale, financial performance relating to Dynamic Yield and McD Tech Labs is reflected within the International Developmental Licensed Markets & Corporate segment and financial performance relating to Russia is reflected in the International Operated Markets segment. All intercompany revenues and expenses are eliminated in computing revenues and operating income. Corporate general and administrative expenses consist of ~~home~~ **corporate** office support costs in areas such as facilities, finance, human resources, information technology, legal, marketing, restaurant operations, supply chain and training. Corporate assets include corporate cash and equivalents, ~~asset portions of~~ financial instruments and ~~home~~ office facilities. In ~~millions202220212020U~~ ---- **millions202320222021U** . S. $ **10, 568. 4 $** 9, 588. 4 $ 8, 865. 0 ~~$ 7, 828. 5~~ International Operated ~~Markets11~~ **Markets12 , 382. 0 11** , 297. 0 12, 219. 8 ~~9, 570. 7~~ International Developmental Licensed Markets & Corporate2, **543. 3 2,** 297. 2 2, 138. 1 ~~1, 808. 6~~ Total revenues $ **25, 493. 7 $** 23, 182. 6 $ 23, 222. 9 ~~$ 19, 207. 8~~ U. S. $ 5, **694. 4 $ 5,** 136. 4 $ 4, 754. 7 ~~$ 3, 789. 1~~ International Operated ~~Markets3~~ **Markets5 , 831. 5 3** , 926. 0 5, 130. 6 **International Developmental Licensed Markets & Corporate120. 8 308. 6 470. 7 Total operating income $ 11, 646. 7 $ 9, 371. 0 $ 10, 356. 0 U. S. $ 22, 477. 0 $ 21, 793. 0 $ 21, 280.** 3 **International Operated Markets23** , ~~315~~ **946. 9 21, 979. 3 24, 186** . 1 International Developmental Licensed Markets & ~~Corporate308~~ **Corporate9 , 722** . **9** 6 ~~470~~ **, 663. 3 8, 387. 9 Total assets $ 56, 146. 8 $ 50, 435. 6 $ 53, 854. 3 U. S. $ 962. 5 $ 860. 0 $ 940** . 7 ~~219. 8 Total operating income $ 9, 371. 0 $ 10, 356. 0 $ 7, 324. 0 U. S. $ 21,~~

~~793. 0 $ 21, 280. 3 $ 21, 010. 0~~ International Operated ~~Markets21~~ - **Markets1** , ~~979~~ **340** . **5** ~~3 24, 186.~~ 1 ~~24~~ , ~~744~~ **015** . ~~0~~ **2 1, 050. 6** International Developmental Licensed Markets & ~~Corporate6~~ **Corporate54** ~~, 663~~ . ~~3 8~~ **4 24. 0 48. 7 Total capital expenditures $ 2** , ~~387~~ **357. 4 $ 1, 899. 2 $ 2, 040. 0 U. S. $ 968** . 9 ~~6, 872. 8 Total assets~~ $ **912** ~~50, 435~~ . ~~6~~ **4** $ **840** ~~53, 854. 3 $ 52, 626. 8 U. S. $ 860. 0 $ 940~~ . 7 ~~$ 890. 4~~ International Operated ~~Markets1~~ **Markets679** ~~, 015~~ . **5 640** ~~2 1, 050~~ . 6 ~~731~~ **726** . ~~5~~ **4** International Developmental Licensed Markets & ~~Corporate24~~ **Corporate329** ~~. 0 48. 7 18. 9 Total capital expenditures $ 1, 899. 2 $ 2, 040. 0 $ 1, 640~~ . 8 **317** ~~U. S. $ 912. 4 $ 840. 7 $ 813. 8 International Operated Markets640. 6 726. 4 678. 5 International Developmental Licensed Markets & Corporate317~~ . 6 301. 0 ~~259. 1~~ Total depreciation and amortization $ 1, **978. 2 $ 1,** 870. 6 $ 1, 868. 1 ~~$ 1, 751. 4~~ Total long- lived assets, primarily property and equipment and the Company' s Lease right- of- use asset, were (in millions) – Consolidated: **2023 – $ 39, 477. 8;** 2022 – $ 37, 403 ~~. 0; 2021 – $ 39, 267~~ . 0; U. S. based: **2023 – $ 19, 943. 9;** 2022 – $ 19, 416. 3 ~~; 2021 – $ 19, 600. 1~~ . McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~48~~ **49** Net property and equipment consisted of: In millions' December 31, ~~20222021Land~~ **20232022Land $ 7, 081. 3** $ 6, 686. 3 ~~$ 6, 487. 6~~ Buildings and improvements on owned land **20, 059. 3** 18, 934. 2 ~~18, 666. 0~~ Buildings and improvements on leased land **13, 322. 3** 12, 492. 0 ~~13, 283. 3~~ Equipment, signs and seating2, **692. 7 2,** 498. 6 ~~3, 032. 0 Other426~~ **Other414 . 4 426** . 5 ~~447. 7~~ Property and equipment, at cost **43, 570. 0** 41, 037 ~~. 6 41, 916~~ . 6 Accumulated depreciation and amortization (**18, 662. 4) (** 17, 264 ~~. 0) (17, 196~~ . 0) Net property and equipment $ **24, 907. 6 $** 23, 773 ~~. 6 $ 24, 720~~ . 6 Depreciation and amortization expense for property and equipment was (in millions): **2023 – $ 1, 501. 5;** 2022 – $ 1, 454. 0; 2021 – $ 1, 530. 7 ~~; 2020 – $ 1, 469. 4~~ . The ~~decrease~~ **increase** in **Net property** ~~both Buildings and improvements on leased land~~ - **and** ~~and Equipment~~ **equipment** ~~, signs and seating from 2021 to 2022~~ was primarily driven by **higher capital expenditures as a result of the addition of Restaurant Development to** the Company ~~'~~ **'** s ~~sale of~~ **growth pillars under its Accelerating** the **Arches strategy** ~~business in Russia~~ .

Franchise Arrangements Conventional franchise arrangements generally include a lease and a license and provide for payment of initial fees, as well as continuing rent and royalties to the Company based upon a percent of sales with minimum rent payments. Minimum rent payments are based on the Company' s underlying investment in owned sites and parallel the Company' s underlying leases and escalations on properties that are leased. Under the franchise arrangement, franchisees are granted the right to operate a restaurant using the McDonald' s System and, in most cases, the use of a restaurant facility, generally for a period of 20 years. At the end of the 20- year franchise arrangement, the Company maintains control of the underlying real estate and building and can either enter into a new 20- year franchise arrangement with the existing franchisee or a different franchisee, or close the restaurant. Franchisees generally pay related occupancy costs including property taxes, insurance and site maintenance. Developmental licensees and affiliates operating under license agreements pay a royalty to the Company based upon a percent of sales, and generally pay initial fees. McDonald' s has elected to allocate consideration in the franchise contract among lease and non- lease components in the same manner that it has historically: rental income (lease), royalty income (non- lease) and initial fee income (non- lease). This disaggregation and presentation of revenue is based on the nature, amount, timing and certainty of the revenue and cash flows. The allocation has been determined based on a mix of both observable and estimated standalone selling prices (the price at which an entity would sell a promised good or service separately to a customer). Revenues from franchised restaurants consisted of: In ~~millions202220212020Rents~~ ---- **millions202320222021Rents** $ 9, **840. 0 $ 9,** 045. 7 $ 8, 381. 1 ~~$ 6, 844. 7~~ Royalties5 **, 530. 9 5** , 005. 6 4, 645. 1 ~~3, 831. 5~~ Initial ~~fees54~~ - **fees65 . 6 54** . 5 59. 2 ~~49. 9~~ Revenues from franchised restaurants $ **15, 436. 5 $** 14, 105. 8 $ 13, 085. 4 ~~$ 10, 726. 1 As rent and royalties are based upon a percent of sales, government restrictions as a result of COVID- 19 had a more significant negative impact on revenues in 2020. The Company granted the deferrals of cash collection for certain rent and royalties earned from franchisees in substantially all markets primarily in the first half of 2020. In total, the Company deferred collection of approximately $ 1 billion and has collected all of these deferrals as of December 31, 2022.~~ Future gross minimum rent payments due to the Company under existing conventional franchise arrangements are: In millionsOwned sitesLeased sitesTotal ~~2023~~ **2024** $ 1, ~~512~~ **511** . ~~5~~ **7** $ 1, ~~458~~ **468** . ~~0~~ **6** $ 2, **980** ~~970. 5 20241, 471. 5 1, 394. 8 2, 866~~ . 3 20251, ~~425~~ **470. 4 1, 407. 6 2, 878. 0 20261, 417. 3 1, 350. 5 2, 767. 8 20271, 370** . 9 1, ~~332~~ **294** . 1 2, ~~758~~ **665** . 0 ~~20261~~ **20281** , ~~375~~ **312** . ~~0~~ **3** 1, ~~275~~ **223** . 5 2, ~~650~~ **535. 8 Thereafter9, 108. 3 8, 227. 2 17, 335** . 5 ~~20271, 328. 2 1, 218. 9 2, 547. 1 Thereafter9, 533. 6 8, 454. 3 17, 987. 9~~ Total minimum payments $ 16, ~~646~~ **190** . ~~7~~ **9** $ ~~15~~ **14** , ~~133~~ **971** . ~~6~~ **5** $ 31, ~~780~~ **162** . ~~3~~ **4** At December 31, ~~2022~~ **2023** , net property and equipment under franchise arrangements totaled $ 20. ~~2~~ **1** billion (including land of $ ~~5~~ **6** . ~~9~~ **2** billion) after deducting accumulated depreciation and amortization of $ 14. ~~3~~ **5** billion. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~49~~ **50 Leasing Arrangements** The Company is the lessee in a significant real estate portfolio, primarily through ground leases (the Company leases the land and generally owns the building) and through improved leases (the Company leases the land and buildings). The Company determines whether an arrangement is a lease at inception. Lease terms for most restaurants, where market conditions allow, are generally for 20 years and, in many cases, provide for rent escalations and renewal options. Renewal options are typically solely at the Company' s discretion. Escalation terms vary by market with examples including fixed- rent escalations, escalations based on an inflation index and fair- value market adjustments. The timing of these escalations generally range from annually to every five years. The following table provides detail of rent expense: In ~~millions202220212020Restaurants~~ ---- **millions202320222021Restaurants** $ 1, **491. 0 $ 1,** 416. 4 $ 1, 486. 3 ~~$ 1, 399. 5 Other59~~ **Other51 . 3 59** . 7 74. 0 ~~79. 8~~ Total rent expense $ 1, **542. 3 $ 1,** 476. 1 $ 1, 560 ~~. 3 $ 1, 479~~ . 3 Rent expense included percent rents in excess of minimum rents (in millions) as follows – Company- operated restaurants: **2023 – $ 56. 1;** 2022 – $ 39. 6; 2021 – $ 69. 2 ~~; 2020 – $ 53. 7~~ . Franchised restaurants: **2023 – $ 261. 4;** 2022 – $ 209. 0; 2021 – $ 160. 0 ~~; 2020 – $ 136. 5~~ . These variable rent payments are based on a percent of sales. The Lease right- of- use asset and Lease liability reflect the present value of the Company' s estimated future minimum lease payments over the lease term, which includes options that are reasonably ~~assured~~ **certain** of being exercised, discounted using a collateralized incremental borrowing rate. Typically, renewal options are considered reasonably ~~assured~~ **certain** of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the sales performance of the restaurant remains strong. Therefore, the

Lease right- of- use asset and Lease liability include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation. **In light of the introduction of Restaurant Development as a growth pillar in 2023 and as part of the Company’ s ongoing evaluation of its estimates, the Company refined its assumption on renewal options that have not yet been exercised to reflect the expected increase in renewal option exercises under this new growth pillar. This was the primary driver of the increase in the Lease right- of- use asset and Lease liability.** The **following table details amounts related to** ~~Company' s lease portfolio includes both~~ operating and finance leases ~~, however as of~~ **recorded within the Company’ s Consolidated Balance Sheet.** December 31, **2023In millionsOperatingFinanceTotalLease right-** ~~2022, the vast majority~~ of ~~the portfolio was classified as operating~~ **use asset, net11, 724. 2 1, 790. 2 13, 514. 4 Current** ~~leases~~ - **lease liability642** . **6 45. 5 688. 1 Long- term lease liability11, 527. 7 1, 530. 0 13, 057. 7 December 31, 2022In millionsOperatingFinanceTotalLease right- of use asset, net11, 052. 1 1, 513. 6 12, 565. 7 Current lease liability639. 6 21. 5 661. 1 Long- term lease liability10, 834. 1 1, 300. 2 12, 134. 4** As the rate implicit in each lease is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment. The **following table summarizes the** weighted average **remaining lease term and** discount rate used for leases ~~was 3. 5 %~~ as of December 31, **2023 and** 2022 ~~and~~ **: 20232022Weighted- average remaining lease term- operating leases17 years18 yearsWeighted- average remaining lease term- finance leases28 years29 yearsWeighted- average discount rate- operating leases4. 0 %** 3. ~~7~~ **6** % ~~as~~ **Weighted- average discount rate- finance leases3. 6 % 3. 0 % The Company makes cash payments related to its operating and finance lease liabilities,** of **which the majority are recorded within operating activities on the Consolidated Statement of Cash Flows. For each of the three years reflected within its cash flow statement, the Company made total payments of approximately $ 1. 5 billion. Of these total payments, approximately 3 % related to the Company’ s repayment of the principal portion of finance lease liabilities, and were recorded within financing activities on the Consolidated Statement of Cash Flows. Lease right- of- use assets obtained in exchange for operating and finance lease liabilities totaled approximately $ 1. 0 billion and $ 0. 3 billion, respectively, during the year ended** December 31, ~~2021~~ **2023** . **McDonald' s Corporation 2023 Annual Report 51** As of December 31, ~~2022~~ **2023** , maturities of lease liabilities for the Company' s lease portfolio were as follows: In ~~millionsTotal~~ **millionsOperatingFinanceTotal** * ~~2023~~ **2024** $ 1, ~~161~~ **126. 3 $ 78. 0 $ 1, 204. 3 20251, 093. 7 79. 3 1, 173. 0 20261, 046. 2 80. 0 1, 126. 2 20271, 018. 1 80** . 6 ~~20241~~ **1** , ~~134~~ **098** . ~~4 20251, 096~~ **7 2028981. 1 81** . 2 ~~20261~~ **1** , **062** ~~041. 8 20271, 003~~ . 3 Thereafter12, ~~799~~ **132** . ~~5~~ **2 2, 083. 1 14, 215. 3** Total lease ~~payments18~~ -- **payments $ 17** , ~~236~~ **397. 6 $ 2, 482. 2 $ 19, 879** . 8 Less: imputed ~~interest~~ **interest5** ~~(5~~ , ~~441~~ **227** . 3 ~~)~~ **906. 7 6, 134. 0** Present value of lease liability $ 12, ~~795~~ **170. 3 $ 1, 575** . 5 **$ 13, 745. 8** * Total lease payments include option periods that are reasonably ~~assured~~ **certain** of being exercised. The ~~decrease~~ **increase** in the present value of the lease liability since December 31, ~~2021~~ **2022** is approximately $ **950** ~~(0. 9) billion~~ **million** . The lease liability will continue to be impacted by new leases, lease modifications, lease terminations, reevaluation of lease terms, and foreign currency. ~~The Weighted Average Lease Term remaining that is included in the maturities of lease liabilities was 19 years as of December 31, 2022 and 20 years as of December 31, 2021.~~ McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~50~~ **52** Contingencies In the ordinary course of business, the Company is subject to proceedings, lawsuits and other claims primarily related to competitors, customers, employees, franchisees, government agencies, intellectual property, shareholders and suppliers. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in a particular matter or changes in approach such as a change in settlement strategy in dealing with these matters. The Company does not believe that any such matter currently being reviewed will have a material adverse effect on its financial condition or results of operations. Other Operating (Income) Expense, ~~NetIn~~ -- **Net In** ~~millions202220212020Gains~~ ---- **millions202320222021Gains** on sales of restaurant businesses $ (**103. 2) $ (** 59. 8) $ (96. 6 ~~) $ (23. 3~~) Equity in earnings of unconsolidated affiliates (**153. 4) (** 113. 2) (176. 7 ~~) (117. 4~~) Asset dispositions and other (income) expense, ~~net136~~ **net (6. 8) 136** . 8 75. 4 ~~290. 7~~ Impairment and other charges (gains), ~~net1~~ **net362. 3 1** , 009. 8 (285. 4) ~~(267. 5)~~ Total $ **98. 9 $** 973. 6 $ (483. 3 ~~) $ (117. 5~~) ▪ Gains on sales of restaurant businesses The Company’ s purchases and sales of businesses with its franchisees are aimed at maintaining an optimal ownership mix in each market. Resulting gains or losses on sales of restaurant businesses are recorded in operating income because these transactions are a recurring part of the Company' s business. ▪ Equity in earnings of unconsolidated affiliates Unconsolidated affiliates and partnerships are businesses in which the Company actively participates but does not control. The Company records equity in (earnings) losses from these entities representing McDonald’ s share of results for markets in both the International Operated Markets and International Developmental Licensed Markets segments. For foreign affiliated markets — primarily China and Japan — results are reported net of interest expense and income taxes. ▪ Asset dispositions and other (income) expense, net Asset dispositions and other (income) expense, net consists of gains or losses on excess property and other asset dispositions, provisions for restaurant closings, reserves for bad debts, asset write- offs due to restaurant reinvestment, ~~strategic~~ sale of properties, and other miscellaneous income and expenses. ▪ Impairment and other charges (gains), net Impairment and other charges (gains), net includes losses that result from the write down of goodwill and long- lived assets from their carrying value to their fair value, ~~as well as~~ charges associated with strategic initiatives, such as refranchising and restructuring activities ~~. The~~ **, as well as** realized gains / losses from the divestiture of ownership percentages of subsidiaries ~~are reflected in~~ **. In 2023** this category **reflected $ 290 million of pre- tax charges related to the Company' s Accelerating the Arches growth strategy** , including **restructuring costs associated with Accelerating** the **Organization, and $ 72 million of pre- tax charges related to the write- off of impaired software no longer in use. In 2022 this category included $ 1. 3 billion of pre- tax charges related to the sale of the Company' s business in Russia and a pre- tax gain of $ 271 million related to the Company' s sale of its Dynamic Yield business. Additionally, in 2021 this category reflected** pre- tax gains on the sale of McDonald' s Japan stock ~~in 2020 and 2021~~, which reduced the Company' s ownership in McDonald' s Japan ~~from 49 %~~ to 35 % ~~. Additionally, in 2022 this category includes $ 1. 3 billion of charges related to the sale of the Company' s business in Russia and a gain of $ 271 million related to the Company' s sale of its Dynamic Yield business~~. McDonald' s Corporation ~~2022~~ 2023 Annual Report ~~51~~ 53 In January 2023, the Company announced an evolution of its successful Accelerating the Arches strategy. Enhancements to the strategy include the addition of Restaurant Development to the Company' s growth pillars and an internal effort to modernize ways of working, Accelerating the Organization, both of which are aimed at elevating the Company' s performance. Accelerating the Organization is designed to unlock further growth as the Company focuses on becoming faster, more innovative and more efficient for its customers and people. The Company incurred $ 249. 7 million of costs related to Accelerating the Organization for the year ended December 31, 2023. These costs were recorded in the Other operating (income) expense, net line within the consolidated statement of income. Restructuring costs primarily consist of employee termination benefits, costs to terminate contracts, including lease terminations, and professional services and other costs. Professional services and other costs primarily relate to expenses incurred for legal and consulting activities. There were no significant non- cash impairment charges included in the amounts listed in the table below. The following table summarizes the balance of accrued expenses related to this strategic initiative (in millions): Employee Termination BenefitsCosts to Terminate ContractsOther Related CostsTotal2023Beginning Balance $ — $ — $ — $ — Restructuring Costs Incurred110. 3 26. 9 43. 3 180. 5 Cash Payments (1. 5) (1. 4) (0. 3) (3. 2) Other Non- Cash Items — — (14. 1) (14. 1) Accrued Balance at March 31, 2023 $ 108. 8 $ 25. 5 $ 28. 9 $ 163. 2 Restructuring Costs Incurred (8. 8) 5. 6 21. 9 18. 7 Cash Payments (27. 7) (11. 7) (46. 8) (86. 2) Other Non- Cash Items — — (2. 5) (2. 5) Accrued Balance at June 30, 2023 $ 72. 3 $ 19. 4 $ 1. 5 $ 93. 2 Restructuring Costs Incurred (0. 9) — 21. 4 20. 5 Cash Payments (13. 0) (7. 4) (15. 3) (35. 7) Other Non- Cash Items (2. 5) — 0. 1 (2. 4) Accrued Balance at September 30, 2023 $ 55. 9 $ 12. 0 $ 7. 7 $ 75. 6 Restructuring Costs Incurred (5. 0) — 35. 0 30. 0 Cash Payments (9. 6) (0. 8) (36. 2) (46. 6) Other Non- Cash Items — — 0. 5 0. 5 Accrued Balance at December 31, 2023 $ 41. 3 $ 11. 2 $ 7. 0 $ 59. 5 Of the $ 249. 7 million of restructuring costs incurred for the year ended December 31, 2023, $ 62. 4 million was recorded in the U. S., $ 65. 6 million was recorded in the International Operated Markets segment and $ 121. 7 million was recorded in the International Developmental Licensed Markets & Corporate segment, the majority of which was recorded at Corporate. Substantially all of the accrued restructuring balance recorded at December 31, 2023, related to the Company' s Accelerating the Organization initiative, is expected to be paid out over the next twelve months. As the Company furthers its operating model and technology transformation, primarily through its Global Businesses Services strategy, under Accelerating the Organization it will continue to incur various restructuring costs as the strategy progresses through its anticipated end date of 2027. Restructuring costs in 2024 are expected to be similar to what was incurred in 2023, and are expected to primarily consist of professional service fees. McDonald' s Corporation 2023 Annual Report 54 Income before provision for income taxes, classified by source of income, was as follows: In ~~millions202220212020U~~ ---- millions202320222021U . S. $ 3, 665. 0 $ 1, 845. 6 $ 2, 413. 9 ~~$ 1, 390. 4~~ Outside the U. S. 6, 857. 2 5, 979. 8 6, 714. 0 ~~4, 750. 3~~ Income before provision for income taxes * $ 10, 522. 2 $ 7, 825. 4 $ 9, 127. 9 ~~$ 6, 140. 7~~ * Income before provision for income taxes ~~decreased~~ increased in ~~2022~~ 2023 primarily due to ~~current~~ strong operating performance and prior year net charges ~~and gains~~ detailed in the Net Income and Diluted Earnings Per Share section on page ~~12~~ 13 of this Form 10- K ~~, which offset strong operating performance~~. The provision for income taxes, classified by the timing and location of payment, was as follows: In ~~millions202220212020U~~ ---- millions202320222021U . S. federal $ 1, 340. 0 $ 517. 3 $ 887. 6 ~~$ 554. 1~~ U. S. ~~state246~~ - state262 . 7 246 . 3 228. 1 ~~119~~ Outside the U. S . 1 , 137 ~~Outside the U~~ . 1 ~~S.~~ 1, 230. 1 895. 3 ~~730. 6~~ Current tax ~~provision1~~ provision2 , 739. 8 1 , 993. 7 2, 011. 0 U. S. federal (146. 0) (80. 0) (177. 4) U. S. state (29. 6) (46. 2) (24. 1 ~~, 403~~) Outside the U. S. (510 . 8 ~~U. S. federal (80. 0~~) ~~(177. 4) 870. 3 U. S. state (46. 2) (24. 1) 73. 3 Outside the U. S.~~ (219. 5) (226. 8 ~~) (937. 2~~) Deferred tax provision (686. 4) (345. 7) (428. 3) ~~6. 4~~ Provision for income taxes $ 2, 053. 4 $ 1, 648. 0 $ 1, 582. 7 ~~$ 1, 410. 2~~ Net deferred tax (assets) liabilities consisted of: In millionsDecember 31, ~~20222021Lease~~ 20232022Lease right- of- use asset $ 3, 322. 5 $ 3, 045. 0 ~~$~~ Property and equipment1, 668. 5 1, 706. 3 ~~, 462~~ Intangible assets264. 0 296 . 7 Other284 ~~Property and equipment1, 706~~ . 8 595 ~~3 1, 648. 6 Intangible assets296. 7 696. 0 Other595~~ . 4 ~~490. 8~~ Total deferred tax liabilities5, 539. 8 5, 643. 4 ~~6, 298. 1~~ Lease liability (3, 384. 0) (3, 099 ~~. 9) (3, 516~~ . 9) Intangible assets (3, 018. 2) (2 , 658. 9) ~~(2, 524. 6)~~ Property and equipment (641. 8) (676. 3 ~~) (647. 1~~) Deferred foreign tax credits (81. 6) (74 ~~. 5) (311~~ . 5) Employee benefit plans (191. 6) (180 ~~. 6) (153~~ . 6) Deferred revenue (166. 9) (165. 8 ~~) (121. 4~~) Operating loss carryforwards (266. 5) (76. 6) ~~(96. 1)~~ Other (281. 0) (267 ~~. 4) (284~~ . 4) Total deferred tax assets before valuation allowance (8, 031. 6) (7, 200. 0 ~~) (7, 655. 6~~) Valuation allowance1, 149. 8 1, 077 ~~. 1 1, 076~~ . 1 Net deferred tax (assets) liabilities $ (1, 342. 0) $ (479. 5 ~~) $ (281. 4~~) Balance sheet presentation: Deferred income taxes $ 1, 680. 9 $ 1, 997. 5 ~~$ 2, 075. 6~~ Other assets- miscellaneous (3, 022. 9) (2, 477 ~~. 0) (2, 357~~ . 0) Net deferred tax (assets) liabilities $ (1, 342. 0) $ (479. 5) ~~$ (281. 4) McDonald' s Corporation 2022 Annual Report 52~~ At December 31, ~~2022~~ 2023 , the Company had net operating loss carryforwards of $ ~~407~~ 1, 112 . ~~5~~ 8 million, of which $ ~~174~~ 924 . ~~6~~ 8 million has an indefinite carryforward. The remainder will expire at various dates from 2024 to 2040. McDonald' s Corporation 2023 ~~to 2040.~~ Annual Report 55 The statutory U. S. federal income tax rate reconciles to the effective income tax rates as follows: ~~202220212020Statutory~~ ---- 202320222021Statutory U. S. federal income tax rate21. 0 % 21. 0 % 21. 0 % State income taxes, net of related federal income tax ~~benefit2~~ benefit1 . 8 2 . 0 ~~1. 8~~ 1. 8 Foreign income taxed at different rates1. 9 1. 1 0. 9 ~~0. 4~~ Tax impact of intercompany ~~transactions0~~ - transactions (0. 7) 0 . 2 0 ~~. 1 2~~ . 1 Global intangible low- tax income (" GILTI") 0. 5 0. 4 0. 3 ~~1. 2~~ Foreign- derived intangible income (" FDII") (2. 7) (4. 2) (2. 6 ~~) (3. 4~~) U. S. / Foreign tax law changes — — (3. 9 ~~) (1. 8~~) Nonoperating expense related to France audit ~~settlement1~~ - settlement — 1 . 4 — ~~—~~ Other, net (2. 3) (0. 8) (0. 3) ~~1. 7~~ Effective income tax ~~rates21~~ - rates19 . 5 % 21 . 1 % 17. 3 % Results for ~~23. 0 % The~~ 2022 ~~effective income~~ reflected $ 239 million of net tax ~~rate~~ benefits ~~reflected~~ - related to the ~~tax~~ sale of the Company' s Russia and Dynamic Yield businesses and the unfavorable impact of **the non- deductible** $ 537 million of non- operating expense related to the settlement of the tax audit in France. In 2021, U. S. / Foreign tax law changes included a $ 364 million income tax benefit related to the remeasurement of deferred taxes as a result of a change in the U. K. statutory income tax rate. As of December 31, **2023 and** 2022 ~~and 2021~~ , the Company' s gross unrecognized tax benefits totaled $ **587. 7 million and $** 647. 0 ~~million and $ 1, 504. 9~~ million, respectively. After considering the deferred tax accounting impact, it is expected that about $ ~~410~~ **588** million of the total as of December 31, ~~2022~~ **2023** would favorably affect the effective tax rate if resolved in the Company' s favor. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits: In ~~millions20222021Balance~~ **millions20232022Balance** at January 1 $ **647. 0 $** 1, 504. 9 ~~$ 1, 479. 2~~ Decreases for positions taken in prior years (**82. 1) (** 579. 4 ~~) (31. 9~~) Increases for positions taken in prior ~~years49~~ **years27. 5 49** . 8 ~~26. 1~~ Increases for positions related to the current ~~year100~~ - **year40 . 5 100** . 3 ~~60. 7~~ Settlements with taxing authorities (**45. 2) (** 428. 1) ~~(16. 8)~~ Lapsing of statutes of limitations **—** (0. 5 ~~) (12. 4~~) Balance at December 31 (1) $ **587. 7 $** 647. 0 ~~$ 1, 504. 9~~ (1) Of this amount, $ **318. 5 million and $** 619. 6 ~~million and $ 1, 157. 5~~ million are included in Long- term income taxes for **2023 and** 2022 ~~and 2021~~ , respectively, and $ **269. 2 million and $** 27. 3 ~~million and $ 332. 0~~ million are included in **Income taxes** ~~Prepaid expenses and other current assets~~ for **2023 and** 2022 ~~and 2021~~ , respectively, on the Consolidated Balance Sheet. The ~~remainder~~ **Company** is **currently under audit with** ~~included in Deferred income taxes on the Consolidated Balance Sheet. In 2015,~~ the U. S. Internal Revenue Service (the" IRS") **for** ~~issued a Revenue Agent Report (" RAR ") that included certain disagreed transfer pricing adjustments related to the Company' s U. S. Federal income~~ tax **years** ~~returns for 2009 and 2010~~ **2011 through** ~~. Also in 2015, the Company filed a protest with the IRS related to these disagreed transfer pricing matters. During 2017, the Company received a response to its protest, and beginning in December~~ 2018 ~~the Company met with the IRS Appeals team regarding settlement of these issues~~ . In February 2023, the Company finalized a settlement agreement with the IRS ~~Appeals~~ **appeals** team related to the disagreed transfer pricing matters for the years 2009 ~~-~~ **and** 2010. **All results of this settlement have been reported in the Company' s financial statements. As of December 31, 2023, the IRS examination for tax years 2011 and 2012 are awaiting final resolution with the IRS appeals team. The Company has reflected anticipated settlement results in the financial statements.** In ~~2017, the IRS completed its examination of the Company' s U. S. Federal income tax returns for 2011 and 2012~~ - **2023** ~~. In 2018~~ , the IRS issued a ~~RAR~~ **Revenue Agent' s Report** for ~~these~~ -- **the 2013 through 2015 examination period, and the Company' s results reflect expected resolution. Examination** years **2016 through 2018 remain open** ~~. As expected, the RAR included the same disagreed transfer pricing matters~~ as **of** ~~the 2009 and 2010 RAR. Also in 2018, the Company filed a protest with the IRS related to these~~ -- **the end** ~~disagreed transfer pricing matters. The Company continues to meet with the IRS Appeals team regarding the settlement~~ of ~~these~~ -- **the** ~~issues~~ **period** . The Company is also under audit in multiple foreign tax jurisdictions **,** ~~for matters~~ primarily related to transfer pricing, **as well as** ~~and the Company is under audit in~~ multiple state tax jurisdictions. While the Company cannot estimate the impact to the effective tax rate, it is reasonably possible that the total amount of unrecognized tax benefits could decrease up to $ ~~70~~ **262** million within the next 12 months. This would be due to the possible **resolution** ~~settlement of the IRS transfer pricing matters, completion~~ of the aforementioned **U. S. Federal,** foreign and **U. S.** state tax audits and the expiration of the statute of limitations in multiple tax jurisdictions. ~~In 2022, the Company settled an income tax audit with France, which resulted in $ 537 million of nondeductible non- operating expense and conclusion of income tax matters related to transfer pricing for the years 2009- 2020.~~ During ~~2022~~ **2023** , the Company finalized and settled certain tax examinations and remeasured other income tax reserves based on audit progression. It is reasonably possible that, as a result of audit progression in both the U. S. and foreign tax audits within the next 12 months, there may be new information that causes the Company to reassess the total amount of unrecognized tax benefits recorded. While the Company cannot estimate the impact that new information may have on the unrecognized tax benefit balance, it believes that the liabilities recorded are appropriate and adequate. The Company operates within multiple tax jurisdictions and is subject to audit in these jurisdictions. With few exceptions, the Company is no longer subject to U. S. federal, state and local, or non- U. S. income tax examinations for years before 2009. The Company ~~had~~ **accrued $ 24. 9 million and** $ 24. 7 million ~~and $ 183. 6 million accrued~~ for interest and penalties related to tax matters at December 31, **2023 and** 2022 ~~and 2021~~ , respectively. **Costs** ~~The Company~~ recognized **for** interest and penalties related to tax matters ~~of~~ **in 2023 were immaterial and were** $ 90. 5 million **and** ~~in 2022,~~ $ 24. 4 million in **2022 and** 2021, **respectively** ~~and $ 32~~ . **These amounts** ~~4 million in 2020, which~~ are included in the provision for income taxes. ~~McDonald' s Corporation 2022 Annual Report 53~~ As of December 31, ~~2022~~ **2023** , the Company has accumulated undistributed earnings generated by its foreign subsidiaries, which were predominantly taxed in the U. S. as a result of the transition tax provisions enacted under the Tax Cuts and Jobs Act of 2017. Management does not assert that these previously- taxed unremitted earnings are indefinitely reinvested in operations outside the U. S. Accordingly, the Company has provided deferred taxes for the tax effects incremental to the transition tax. The Company has not provided for deferred taxes on outside basis differences in its investments in its foreign subsidiaries that are unrelated to these accumulated undistributed earnings, as these outside basis differences are indefinitely reinvested. A determination of the unrecognized deferred taxes related to these other components of the outside basis differences is not practicable. **McDonald' s Corporation 2023 Annual Report 56** Employee Benefit Plans The Company' s 401 (k) Plan is maintained for U. S.- based employees and includes a 401 (k) feature, as well as an employer match. The 401 (k) feature allows eligible participants to make pre- tax contributions that are matched each pay period (with an annual true- up) through cash contributions. All current account balances, future contributions and related earnings can be invested in nine investment alternatives (including a target date fund series), as well as McDonald' s stock in accordance with each participant' s investment elections. Future participant contributions are limited to 20 % investment in McDonald' s stock and participants may not transfer their existing account balance into McDonald' s stock if the transfer would cause the value of their interest in the fund to exceed 20 % of their total 401 (k) Plan account balance. Participants may choose to make separate investment choices for current account balances and future contributions. The Company also maintains certain unfunded nonqualified supplemental benefit plans that allow participants to (i) make tax- deferred contributions and (ii) receive an annual Company- match allocation that cannot be made under the 401 (k) Plan because of IRS limitations. The investment alternatives and returns are based on certain market- rate investment alternatives under the 401 (k) Plan, net of expenses. Total liabilities were $ **402. 7 million and $** 380. 0 ~~million and $ 456. 8~~ million at December 31, **2023 and** 2022 ~~and 2021~~, respectively, 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, ~~2022~~ **2023**, derivatives with a fair value of $ ~~200~~ **188. 6 million indexed to the Company' s stock were included in Miscellaneous other assets and an investment totaling $ 191**. 5 million indexed to ~~the Company' s stock and a total return swap with a notional amount of $ 164. 4 million indexed to~~ certain market indices ~~were~~ **was** included ~~at their fair value~~ in Prepaid expenses and other current assets on the Consolidated Balance Sheet. Changes in liabilities for these nonqualified plans and in the fair value of the derivatives **and investment** 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 401 (k) Plan and nonqualified benefits ~~and related hedging activities,~~ were **immaterial to** ~~(in millions): 2022 – $ 54. 2; 2021 – $ 39. 5; 2020 – $ 37. 0. Certain subsidiaries outside~~ the ~~U~~ **Consolidated Income Statement**. **All** ~~S. also offer profit sharing, stock purchase or~~ other ~~similar benefit plans. Total plan costs outside the U. S. were (in millions): 2022 – $ 44. 4; 2021 – $ 41. 8; 2020 – $ 36. 6. The total combined liabilities for international retirement plans were $ 36. 6 million and $ 41. 7 million at December 31, 2022 and 2021, respectively. Other~~ post- retirement benefits and post- employment benefits **, both in the U. S. and at our international subsidiaries,** were **also** immaterial to the Consolidated Income Statement. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~54~~ **57** Debt Financing LINE OF CREDIT AGREEMENTS At December 31, ~~2022~~ **2023**, the Company had a line of credit agreement of $ ~~3~~ **4**. ~~5~~ **0** billion, which expires in ~~December~~ **June** ~~2024~~ **2028**. The Company incurs fees of 0. 08 % per annum on the total commitment, which remained unused. Fees and interest rates on this line are primarily based on the Company' s long- term credit rating assigned by Moody' s and Standard & Poor' s. In addition, the Company' s subsidiaries had unused lines of credit that were primarily uncommitted, short- term and denominated in various currencies at local market rates of interest. The weighted- average interest rate of short- term borrowings was 5. **4 % at December 31, 2023 (based on $ 119. 9 million of foreign currency bank line borrowings and $ 347. 6 million of commercial paper outstanding) and 5.** 2 % at December 31, 2022 (based on $ 264. 5 ~~million of foreign currency bank line borrowings) and 2. 4 % at December 31, 2021 (based on $ 263. 1~~ million of foreign currency bank line borrowings). DEBT OBLIGATIONS The Company has incurred debt obligations principally through public and private offerings and bank loans. There are no provisions in the Company' s debt obligations that would accelerate repayment of debt as a result of a change in credit ratings or a material adverse change in the Company' s business. Certain of the Company' s debt obligations contain cross- acceleration provisions, and restrictions on Company and subsidiary mortgages and the long- term debt of certain subsidiaries. Under certain agreements, the Company has the option to retire debt prior to maturity, either at par or at a premium over par. The Company has no current plans to retire a significant amount of its debt prior to maturity, but continues to look for ways to optimize its debt portfolio. 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 used to hedge debt). Interest rates (1) December 31Amounts outstandingDecember 31In millions of U. S. DollarsMaturity ~~dates2022202120222021Fixed4~~ **dates2023202220232022Fixed4 . 2 % 4**. 0 % ~~3~~ **$ 23, 382. 6 $ 22, 382. 0 Floating6**. 9 **6** ~~% $ 22, 382. 0 $ 21, 833. 7 Floating6~~. 6 1 **, 097**. ~~6~~ **5** 750 ~~. 0 1, 150~~. 0 Total U. S. ~~Dollar2023~~ **Dollar2024** - ~~205223~~ **205324, 480. 1 23**, 132. 0 ~~22, 983. 7 Fixed1~~ **Fixed2 . 4 1**. 6 **10, 780. 6 8, 704.** 1 **Floating6**. ~~4~~ **6 5. 1 331. 2 321. 2 Total Euro2024- 203511, 111.** 8 **9**, **025** ~~704. 1 8, 682~~. 3 ~~Floating5. 1 2. 1 321. 2 341. 1 Total Euro2023- 20349, 025. 3 9, 023. 4~~ Fixed3. 4 3. 4 748. **8 748.** 7 ~~797. 9 Floating4~~ **Floating5 . 5 4**. 3 ~~1. 2~~ 204. 4 ~~217~~ **204**. ~~9~~ **4** Total Australian Dollar2024- 2029953. **2 953.** 1 ~~1, 015. 8~~ Total British Pounds Sterling- Fixed2032- 20544. 1 4. ~~2 1, 504.~~ 1 1, ~~145~~ **585**. ~~0~~ **1 1, 504. 1** Total Canadian Dollar- Fixed20253. 1 3. 1 **754. 9** 737. 3 ~~790. 6~~ Total Japanese Yen- Fixed20302. 9 2. 9 **88. 6** 95. 3 ~~108. 6~~ Fixed0. 2 0. 2 **475. 4** 432. 6 ~~438~~ **Floating4. 9 5**. 2 ~~Floating5~~ **118**. **0** ~~2 2. 4~~ 262. 7 ~~257. 1~~ Total other currencies (2) **2024593** ~~2023- 2024695~~. ~~3~~ **4** 695. 3 Debt obligations before fair value adjustments and deferred debt costs (3) **39, 567. 1** 36, 142 ~~. 4 35, 762~~. 4 Fair value adjustments (4) (**61. 8) (** 91. 5) ~~4. 8~~ Deferred debt costs (**160. 0) (** 147. 4 ~~) (144. 5~~) Total debt obligations $ **39, 345. 3 $** 35, 903. 5 ~~$ 35, 622. 7~~ (1) Weighted- average effective rate, computed on a semi- annual basis. (2) Consists of Swiss Francs and Korean Won. (3) Aggregate maturities for ~~2022~~ **2023** debt balances, before fair value adjustments and deferred debt costs, are as follows (in millions): ~~2023- $ 0. 0;~~ 2024 – $ ~~5~~ **2**, ~~472~~ **192**. ~~9~~ **4**; 2025 – $ 3, ~~060~~ **092**. ~~5~~ **7**; 2026 – $ 2, ~~418~~ **436**. ~~7~~ **3**; 2027 – $ ~~2~~ **3**, ~~487~~ **113**. ~~2~~ **0; 2028 – $ 4, 293. 4**; Thereafter ~~—~~ **-** $ ~~22~~ **24**, ~~703~~ **439**. ~~1~~ **3**. These amounts include a reclassification of short- term obligations totaling $ ~~2~~ **1**. ~~7~~ **1** billion to long- term obligations as they are supported by a long- term line of credit agreement expiring in ~~December~~ **June** ~~2024~~ **2028**. (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 instruments are also recorded at fair value on the Consolidated Balance Sheet. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~55~~ **58** The Company maintains a share- based compensation plan, which authorizes the granting of various equity- based incentives including stock options and RSUs to employees and nonemployee directors. The number of shares of common stock reserved for issuance under the plan was ~~34~~ **32**. ~~4~~ **1** million at December 31, ~~2022~~ **2023**, including ~~21~~ **20**. ~~8~~ **4** million available for future grants. Share- based compensation expense and the effect on diluted earnings per common share were as follows: In millions, except per share ~~data202220212020Share~~ ---- **data202320222021Share** - based compensation expense $ **175. 2 $** 166. 7 $ 139. 2 ~~$ 92. 4~~ After tax $ **155. 4 $** 145. 9 $ 120. 4 ~~$ 78. 3~~ Earnings per common share- diluted $ 0. **21 $ 0.** 20 $ 0. 16 ~~$ 0. 10~~ As of December 31, ~~2022~~ **2023**, there was $ ~~161~~ **176**. ~~1~~ **5** 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. 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. The following table presents the weighted- average assumptions used in the option pricing model for the **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ 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 ~~202220212020Expected~~ ---- **202320222021Expected** dividend yield2 **. 3 % 2** . 2 % 2. 4 ~~% 2. 3~~ % Expected stock price volatility21. **6 % 21.** 3 % 21. 8 % ~~19. 1 %~~ Risk- free interest ~~rate1~~ **rate3 . 9 % 1** . 9 % 0. 7 % ~~1. 4 %~~ Expected life of options (in years) 5. ~~75~~ **85** . 75. 7Fair value per option granted $ **54. 35 $** 42. 12 $ 30. 91 ~~$ 29. 40~~ 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 **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , the total intrinsic value of stock options exercised was $ **304. 0 million, $** 242. 2 million ~~,~~ **and** $ 302. 0 ~~million and $ 290. 4~~ million, respectively. Cash received from stock options exercised during ~~2022~~ **2023** was $ ~~248~~ **259** . ~~2~~ **8** million and the tax benefit realized from stock options exercised totaled $ ~~48~~ **69** . ~~3~~ **2** million. The Company uses treasury shares purchased under the Company' s share repurchase program to satisfy share- based exercises. A summary of the status of the Company' s stock option grants as of December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , and changes during the years then ended, is presented in the following table: ~~202220212020OptionsShares~~ ---- **202320222021OptionsShares** inmillionsWeighted- averageexercisepriceWeighted- averageremainingcontractuallife in yearsAggregateintrinsicvalue inmillionsShares inmillionsWeighted- averageexercisepriceShares inmillionsWeighted- averageexercisepriceOutstanding at beginning of ~~year12~~ **year11 . 4 $ 172. 27 12** . 0 $ 156. 13 13. 4 $ 139. 44 ~~14. 6 $ 124. 21~~ Granted1 **. 2 266. 70 1** . 6 252. 97 2. 1 215. 73 **Exercised (2. 0) 133. 76 (** 1. ~~8 214. 18 Exercised (1.~~ 9) 128. 08 (2. 4) 115. 29 ~~(2. 8) 104. 58~~ Forfeited / expired (0. **1) 244. 95 (0.** 3) 225. 93 (1. 1) 160. 50 ~~(0. 2) 184. 69~~ Outstanding at end of ~~year11~~ **year10 . 5 $ 189. 78 5. 5 $ 1, 116. 1 11** . 4 $ 172. 27 ~~5. 6 $ 1, 041. 6~~ 12. 0 $ 156. 13 ~~13. 4 $ 139. 44~~ Exercisable at end of year7. **2 $ 165. 22 4. 4 $ 951.** 7 ~~$ 145. 87 4. 4 $ 904. 2~~ 7. ~~8 8~~ **7 7** . 8 McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~56~~ **59** RSUs generally vest 100 % on the third anniversary of the grant and are payable in either shares of the Company' s common stock or cash, at the Company' s discretion. The fair value of each RSU granted is equal to the market price of the Company' s stock at date of grant. Separately, Company officers have been awarded RSUs that vest based on Company performance. For performance- based RSUs, the Company includes a relative TSR modifier to determine the number of shares earned at the end of the performance period. The fair value of performance- based RSUs that include the TSR modifier is determined using a Monte Carlo valuation model. A summary of the Company' s RSU activity during the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ is presented in the following table: ~~202220212020RSUsShares~~ ---- **202320222021RSUsShares** inmillionsWeighted- averagegrant datefair valueShares inmillionsWeighted- averagegrant datefair valueShares inmillionsWeighted- averagegrant datefair valueNonvested at beginning of year1. **2 $ 222. 32 1.** 3 $ 197. 10 1. 3 $ 176. 81 ~~1. 4 $ 150. 95~~ Granted0 **. 5 255. 14 0** . 5 242. 82 0. 6 206. 92 **Vested (** 0. ~~6 201~~ **4) 210** . **03** ~~92 Vested~~ (0. 4) 173. 31 (0. 4) 153. 55 **Forfeited** (0. ~~6~~ **1**) ~~127~~ **244** . **58** ~~99 Forfeited~~ (0. 2) 205. 61 (0. 2) 168. 38 ~~(0. 1) 172. 45~~ Nonvested at end of year1. 2 $ **238. 21 1. 2 $** 222. 32 1. 3 $ 197. 10 ~~1. 3 $ 176. 81~~ The total fair value of RSUs vested during **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ was **$ 127. 2 million,** $ 110. 3 million ~~,~~ **and** $ 80. 0 ~~million and $ 119. 4~~ million, respectively. The tax benefit realized from RSUs vested during ~~2022~~ **2023** was $ ~~18~~ **25** . ~~5~~ **1** million. SUBSEQUENT EVENTS **The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission.** On January ~~6~~ **30** , ~~2023~~ **2024** , the Company ~~announced~~ **completed the acquisition of** an ~~evolution of its successful Accelerating the Arches strategy. Enhancements include the additions~~ **additional** ~~of Restaurant Development to~~ **28 % ownership stake in** the **strategic partnership that operates** ~~Company' s growth pillars and an~~ **and manages McDonald** ~~internal effort to modernize ways of working, Accelerating the Organization, both of which are aimed at elevating the Company~~ ' s ~~performance~~ **business in mainland China, Hong Kong, and Macau. After acquiring the additional ownership from the global investment firm Carlyle for $ 1. 8 billion, McDonald' s will remain a minority partner while increasing its ownership stake from 20 % to 48 %** . The ~~Company~~ **CITIC Consortium, mainly through** ~~is~~ **its** ~~currently evaluating the impact this~~ **equity affiliate CITIC Capital,** will **maintain** ~~have on~~ its ~~business~~ **controlling ownership stake of 52 %. McDonald' s will continue to account for its investment under the equity method and will not consolidate the financial statements of the strategic partnership into its results. There were no other subsequent events that required recognition or disclosure** . McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~57~~ **60** Management' s Assessment of Internal Control Over Financial Reporting The financial statements were prepared by management, which is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting. The Company' s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company' s internal control over financial reporting includes those policies and procedures that: I. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; II. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and III. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company' s assets that could have a material effect on the financial statements. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time. Management assessed the design and effectiveness of the Company' s internal control over financial reporting as of December 31, ~~2022~~ **2023** . In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (" COSO ") in Internal Control – Integrated Framework (2013 Framework). Based on management' s assessment using those criteria, as of December 31, ~~2022~~ **2023** , management believes that the Company' s internal control over financial reporting is effective. Ernst & Young, LLP, independent registered public accounting firm, has audited the financial statements of the Company for the fiscal years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ and the Company' s internal control over financial reporting as of December 31, ~~2022~~ **2023** . Their reports are presented on the following pages. The independent registered public accountants and internal auditors advise management of the results of their audits, and make recommendations to improve the system of internal controls. Management evaluates the audit recommendations and takes appropriate action. McDONALD' S CORPORATION February ~~24~~ **22** , ~~2023~~ **2024** McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~58~~ **61** Report of Independent Registered Public Accounting Firm The Board of Directors and Shareholders of McDonald' s Corporation Opinion on the Financial Statements We have audited the accompanying consolidated balance sheets of McDonald' s Corporation (the Company) as of December 31, **2023 and** 2022 ~~and 2021~~ , 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, ~~2022~~ **2023** , and the related notes (collectively referred to as the " consolidated financial statements "). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, **2023 and** 2022 ~~and 2021~~ , and the results of its operations and its cash flows for each of the three years in the period ended December 31, ~~2022~~ **2023** , 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) (PCAOB), the Company' s internal control over financial reporting as of December 31, ~~2022~~ **2023** , based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February ~~24~~ **22** , ~~2023~~ **2024** expressed an unqualified opinion thereon. Basis for Opinion These financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on the Company' s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U. S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion. Critical Audit Matter The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosure to which it relates. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~59 Valuation~~ **62 Measurement** of Unrecognized Tax **BenefitsDescription** ~~Benefits and Related Regulatory ActionsDescription~~ of the MatterAs described in the Income Taxes footnote to the consolidated financial statements, the Company' s unrecognized tax benefits, which includes transfer pricing matters, totaled $ ~~647~~ **587** . ~~0~~ **7** million at December 31, ~~2022~~ **2023** . The Company, like other multi- national companies, is regularly audited by federal, state and foreign tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management' s judgment, a tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may still be recorded depending on management' s assessment of how the tax position will ultimately be settled. ~~The Company may also be subject to regulatory actions related to these tax matters. The Company accrues liabilities for regulatory actions when a loss is probable and the amount or range of loss is reasonably estimable.~~ Auditing the measurement of unrecognized tax benefits ~~and liabilities arising from regulatory actions~~ related to transfer pricing used in intercompany transactions was challenging because the measurement is based on ~~judgmental~~ interpretations of complex tax laws ~~and legal rulings~~ and because the pricing of the intercompany transactions is based on studies that may produce a range of outcomes (e. g., the price that would be charged in an arm' s- length transaction). How We Addressed the Matter in Our AuditWe obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company' s process to assess the technical merits and measurement of these unrecognized tax benefits ~~and related regulatory liabilities~~ . For example, we tested management' s review of the unrecognized tax benefit calculations, which included evaluation of the comparable transactions used to determine the ranges of outcomes, pricing conclusions reached in management' s transfer pricing studies ~~,~~ **and** the assessment of other third- party information ~~, and settlement agreements with relevant tax and regulatory authorities~~ . With the assistance of our income tax professionals, we performed audit procedures that included, among others, evaluating the technical merits of the Company' s position and assessing the recognition and measurement of unrecognized tax benefits ~~and liabilities resulting from regulatory actions~~ related to transfer pricing. For example, we assessed the inputs utilized and the pricing conclusions reached in the **Company' s** transfer pricing studies ~~executed by management,~~ and compared the methods used to ~~alternative methods and~~ industry benchmarks ~~. We reviewed advice obtained by the Company from third- party advisors~~ . In addition, we used our knowledge of historical settlement activity, income tax laws ~~,~~ and other market information to evaluate the technical merits of the Company' s positions. ~~For positions settled~~ **We also independently**

verified ~~or~~ **our understanding of** ~~effectively settled in~~ the ~~current year, we reviewed~~ **status of income tax examinations with** the Company ~~'~~ **'** s ~~communications and agreements with the relevant tax and regulatory authorities. Where applicable, we requested and received an~~ external legal counsel ~~confirmation letter to independently verify our understanding of settlement agreements~~ . / s / Ernst & Young LLP We have served as the Company' s auditor since 1964. Chicago, Illinois McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~60~~ **63** Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting Opinion on Internal Control over Financial Reporting We have audited McDonald' s Corporation' s internal control over financial reporting as of December 31, ~~2022~~ **2023** , based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, McDonald' s Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, ~~2022~~ **2023** , based on the COSO criteria. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of McDonald' s Corporation as of December 31, **2023 and** 2022 ~~and 2021~~ , 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, ~~2022~~ **2023** , and the related notes and our report dated February ~~24~~ **22** , ~~2023~~ **2024** expressed an unqualified opinion thereon. The Company' s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management' s Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company' s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U. S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Definition and Limitations of Internal Control Over Financial Reporting A company' s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company' s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company' s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~61~~ **64** Controls and Procedures DISCLOSURE CONTROLS An evaluation was conducted under the supervision and with the participation of the Company' s management, including the Chief Executive Officer (" CEO ") and Chief Financial Officer (" CFO "), of the effectiveness of the design and operation of the Company' s disclosure controls and procedures (as that term is defined in Rules 13a- 15 (e) and 15d- 15 (e) under the Securities Exchange Act of 1934, as amended (the" Exchange Act")) as of December 31, ~~2022~~ **2023** . Based on that evaluation, the CEO and CFO concluded that the Company' s disclosure controls and procedures were effective as of such date to provide reasonable assurances that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and is accumulated and communicated to the Company' s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. INTERNAL CONTROL OVER FINANCIAL REPORTING The Company is in ~~the~~ process of implementing a comprehensive, multi- year ~~finance~~ **technology and operating model transformation across multiple areas of the business in** ~~and~~ **an effort to modernize our processes and create efficiencies. This** technology transformation **will include the implementation of certain** ~~initiative to migrate its general ledger, financial close and consolidation processes onto~~ new ~~financial~~ systems **. Operating model transformation will include centralizing or outsourcing certain more routine functions** . The Company is performing ~~the~~ **this** implementation in the ordinary course of business to increase efficiency and to modernize the tools and technology used in its key financial processes. This is not in response to any identified deficiency or weakness in the Company' s internal control over financial reporting. As the phased implementation of the systems continues, the Company has modified certain processes and procedures to enhance the quality of internal control over financial reporting. The Company will continue to monitor and modify, as needed, the design and operating effectiveness of key control activities to align with the updated business processes and capabilities of the new financial systems. Except for these changes, the Company' s management, including the CEO and CFO, confirm there has been no change in the Company' s internal control over financial reporting during the fiscal year ended December 31, ~~2022~~ **2023** that has materially affected, or is reasonably likely to materially affect, the Company' s internal control over financial reporting. MANAGEMENT' S REPORT Management' s Report and the Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting are set forth in the consolidated financial statements. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters The following table summarizes information about the Company’ s equity compensation plans as of December 31, ~~2022~~ **2023** . All outstanding awards relate to the Company’ s common stock. Shares issued under all of the following plans may be from the Company’ s treasury, newly issued or both. Equity compensation plan information Number of securitiesto be issued uponexercise ofoutstanding options, warrants and rightsWeighted- averageexercise price ofoutstanding options, warrants and rightsNumber of securitiesremaining available forfuture issuance underequity compensation plans (excluding securitiesreflected in column (a)) Plan category (a) (b) (c) Equity compensation plans approved by security ~~holders12~~ **holders11** , ~~635~~ **688** , ~~775~~ **325** (1) $ ~~177~~ **194** . ~~12 21~~ **88 20** , ~~782~~ **391** , ~~732~~ **533** Equity compensation plans not approved by security holders — — — ~~Total12~~ **Total11** , ~~635~~ **688** , ~~775~~ **325** $ ~~177~~ **194** . ~~12 21~~ **88 20** , ~~782~~ **391** , ~~732~~ **533** (1) Includes ~~1~~ **10** , ~~432~~ **457, 156** stock options ~~granted under the McDonald’ s Corporation 2001 Omnibus Stock Ownership Plan and 11, 412, 128 stock options~~ and 1, ~~222~~ **231** , ~~215~~ **169** restricted stock units granted under the McDonald' s Corporation Amended and Restated 2012 Omnibus Stock Ownership Plan. Additional matters are incorporated herein by reference from the Company’ s definitive proxy statement, which will be filed no later than 120 days after December 31, ~~2022~~ **2023** . McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~62~~ **65** Exhibits and Financial Statement Schedulesa. (1) All financial statementsConsolidated financial statements are filed as part of this Form 10- K and begin on page ~~35~~ **37** of this Form 10- K. (2) Financial statement schedulesNo schedules are required because either the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the consolidated financial statements and accompanying notes filed as part of this Form 10- K. b. ExhibitsThe exhibits below are filed as part of this Form 10- K. McDonald’ s Corporation Exhibit IndexExhibit NumberDescription (3) Articles of incorporation; bylaws (a) Restated Certificate of Incorporation, effective ~~as of~~ May 23, 2019, incorporated herein by reference from Exhibit 3 (a) of Form 10- Q (File No. 001- 05231), for the quarter ended June 30, 2019. (b) By- Laws, ~~as~~ amended and restated ~~with effect~~ **effective** ~~as of~~ January 18, 2023, incorporated herein by reference from Exhibit 3. 2 of Form 8- K (File No. 001- 05231), filed January 19, 2023. (4) Instruments defining the rights of ~~security~~ **securities** holders, including indentures ***** * (a) Senior Debt Securities Indenture, dated ~~as of~~ October 19, 1996, incorporated herein by reference from Exhibit (4) (a) of Form S- 3 Registration Statement (File No. 333- 14141), filed October 15, 1996. (b) Subordinated Debt Securities Indenture, dated ~~as of~~ October 18, 1996, incorporated herein by reference from Exhibit (4) (b) of Form S- 3 Registration Statement (File No. 333- 14141), filed October 15, 1996. (c) Description of Securities, incorporated herein by reference from Exhibit 4 (c) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2019. (10) Material contracts (a) McDonald’ s Corporation Directors’ Deferred Compensation Plan, amended and restated effective ~~as of~~ December 31, 2021, incorporated herein by reference from Exhibit 10 (a) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2021. * ~~*~~ (b) McDonald' s Corporation Board of Directors Deferred Compensation Plan, effective ~~as of~~ January 1, 2022, incorporated herein by reference from Exhibit 10 (b) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2021. * ~~*~~ (c) McDonald’ s Deferred Compensation Plan, effective ~~as of~~ January 1, 2017, incorporated herein by reference from Exhibit 10 (b) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2016. * ~~*~~ (i) First Amendment to the McDonald' s Deferred Compensation Plan, effective ~~as of~~ May 1, 2018, incorporated herein by reference from Exhibit 10 (b) (i) of Form 10- Q (File No. 001- 05231), for the quarter ended September 30, 2018. * ~~*~~ (d) McDonald' s Amended and Restated Deferred Compensation Plan, effective ~~as of~~ May 26, 2020, incorporated herein by reference from Exhibit 10 (c) of Form 10- Q (File No. 001- 05231), for the quarter ended June 30, 2020. * ~~*~~ (i) First Amendment to the McDonald' s Amended and Restated Deferred Compensation Plan, effective ~~as of~~ December 1, 2021, incorporated herein by reference from Exhibit 10 (d) (i) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2021. * ~~*~~ (e) McDonald’ s Corporation Supplemental Profit Sharing and Savings Plan, effective ~~as of~~ September 1, 2001, incorporated herein by reference from Exhibit 10 (c) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2001. * ~~*~~ (i) First Amendment to the McDonald’ s Corporation Supplemental Profit Sharing and Savings Plan, effective ~~as of~~ January 1, 2002, incorporated herein by reference from Exhibit 10 (c) (i) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2002. * ~~*~~ (ii) Second Amendment to the McDonald’ s Corporation Supplemental Profit Sharing and Savings Plan, ~~as amended,~~ effective ~~as of~~ January 1, 2005, incorporated herein by reference from Exhibit 10 (c) (ii) of Form 10- K (File No. 001- 05231), for the year ended December 31, 2004. ~~*~~ * (f) McDonald' s Corporation 2012 Omnibus Stock Ownership Plan, effective ~~as of~~ June 1, 2012, incorporated herein by reference from Exhibit 10 (h) of Form 10- Q (File No. 001- 05231), for the quarter ended September 30, 2012. * ~~*~~ (g) McDonald' s Corporation Amended and Restated 2012 Omnibus Stock Ownership Plan, effective ~~as of~~ May 21, 2020, incorporated herein by reference from Exhibit 10 (g) of Form 10- Q (File No. 001- 05231), for the quarter ended June 30, 2020. * ~~* McDonald' s Corporation 2022 Annual Report 63~~ (h) Form of ~~2014~~ Executive ~~Stock Option Award~~ **Confidentiality, Intellectual Property and Restrictive Covenant** Agreement ~~in connection with the 2012 Omnibus Stock Ownership Plan~~ , incorporated herein by reference from Exhibit 10 (~~z~~ **o**) of Form 10- Q (File No. 001- 05231), for the quarter ended March 31, ~~2014~~ **2017** . * ~~*~~ **McDonald' s Corporation 2023 Annual Report 66** (i) Form of **2018** Executive **Stock Option Award** ~~Confidentiality, Intellectual Property and Restrictive Covenant~~ Agreement **in connection with the 2012 Omnibus Stock Ownership Plan** , incorporated herein by reference from Exhibit 10 (~~o~~ **q**) of Form 10- Q (File No. 001- 05231), for the quarter ended March 31, ~~2017~~ **2018** . * ~~*~~ (j) **McDonald' s Corporation Target Incentive** ~~Form of 2018 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership~~ Plan **, amended and restated effective February 13, 2019** , incorporated herein by reference from Exhibit 10 (~~q~~ **p**) of Form 10- Q (File No. 001- 05231), for the quarter ended March 31, ~~2018~~ **2019** . ~~*~~ * (k) McDonald' s Corporation ~~Target Incentive~~ **Officer Severance** Plan ~~, effective as of January 1, 2013~~ , amended and restated effective **November 1** ~~as of February 13~~ , ~~2019~~ **2022** , incorporated herein by reference from Exhibit 10 (~~p~~ **l**) of Form 10- ~~Q~~ **K** (File No. 001- 05231), for the ~~quarter~~ **year** ended ~~March~~ **December** 31, ~~2019~~ **2022** . * ~~*~~ (l ~~) McDonald' s Corporation Officer Severance Plan, amended and restated effective as of November 1, 2022, filed herewith. * * (m~~) Form of 2019 Executive Stock Option Award Agreement in connection with the 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10 (r) of Form 10- Q (File No. 001- 05231), for the quarter ended March 31, 2019. * ~~*~~ (~~n~~ **m**) Separation Agreement and General Release between Stephen Easterbrook and the Company, dated October 31, 2019, incorporated herein by reference from Exhibit 10. 1 of Form 8- K ~~(File No. 001- 05231)~~ , filed November 4, 2019. * ~~*~~ (~~o~~ **n**) Separation Agreement and General Release between ~~Silvia Lagnado~~ **Jerome N. Krulewitch** and the Company, dated ~~August 14~~ **October 13** , ~~2019~~ **2020** , incorporated herein by reference from Exhibit 10 (~~t~~ **v**) of Form 10- ~~Q~~ **K** (File No. 001- 05231), for the ~~quarter~~ **year** ended ~~June 30~~ **December 31** , 2020. * ~~*~~ (~~p~~ **o**) ~~Separation~~ **Form of 2021 Executive Time- Based Restricted Stock Unit Award** Agreement **in connection with** ~~and General Release between Silvia Lagnado and~~ the **Amended and Restated** ~~Company, dated October 31, 2019~~ **2012 Omnibus Stock Ownership Plan** , incorporated herein by reference from Exhibit 10 (~~u~~ **v**) of Form 10- Q (File No. 001- 05231), for the quarter ended June 30, ~~2020~~ **2021** . * ~~*~~ (~~q~~ **p**) ~~Separation~~ **Form of 2023 Executive Performance- Based Restricted Stock Unit Award** Agreement **in connection with** ~~and General Release between Jerome N. Krulewitch and~~ the **Amended and Restated** ~~Company, dated October 13, 2020~~ - **2012 Omnibus Stock Ownership Plan** , incorporated herein by reference from Exhibit 10 (~~v~~ **q**) of Form ~~10~~ **10Q** ~~- K~~ (File No. 001- 05231), for the ~~year~~ **quarter** ended ~~December~~ **March** 31, ~~2020~~ **2023** . * ~~*~~ (~~r~~ **q**) Form of **2023** Executive ~~Time- Based Restricted~~ Stock ~~Unit~~ **Option** Award Agreement in connection with the Amended and Restated 2012 Omnibus Stock Ownership Plan, incorporated herein by reference from Exhibit 10 (~~v~~ **r**) of Form 10- Q (File No. 001- 05231), for the quarter ended ~~June 30~~ **March 31** , ~~2021~~ **2023** . ~~*~~ * (21) Subsidiaries of the Registrant. (23) Consent of Independent Registered Public Accounting Firm. (24) Power of Attorney. (31. 1) Rule 13a- 14 (a) Certification of Chief Executive Officer. (31. 2) Rule 13a- 14 (a) Certification of Chief Financial Officer. (32. 1) Certification pursuant to 18 U. S. C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002. (32. 2) Certification pursuant to 18 U. S. C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 **. (97) McDonald' s Corporation Policy on Recoupment of Incentive Compensation** . (99. 1) Computation of Ratios. (101. INS) XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. (101. SCH) Inline XBRL Taxonomy Extension Schema Document. (101. CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document. (101. DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document. (101. LAB) Inline XBRL Taxonomy Extension Label Linkbase Document. (101. PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document. (104) Cover Page Interactive Data File- the cover page XBRL tags are embedded within the Inline XBRL document. * ~~Other~~ **Denotes compensatory plan. * * Certain** instruments defining the rights of holders of long- term debt of the **Company** ~~registrant, and all of its subsidiaries for which consolidated financial statements~~ are ~~required~~ **omitted pursuant** to **Item 601 (b) (4) (iii)** ~~be filed and which are not required to be registered with the Commission, are not included herein as the securities authorized thereunder, individually, do not exceed 10 %~~ of **Regulation S-K** ~~the total assets of the registrant and its subsidiaries on a consolidated basis~~ . An agreement to furnish a copy of any such instruments ~~to the Commission~~ upon request has been filed with the **Securities and Exchange** Commission ~~. * * Denotes compensatory plan~~ . McDonald' s Corporation ~~2022~~ **2023** Annual Report ~~64~~ **67** Form 10- K Cross- Reference Index Page referencePart IItem ~~1BusinessPages~~ - **1BusinessPage 3Item** ~~3- 7, 9- 10Item~~ 1ARisk ~~FactorsPages~~ - **FactorsPage** ~~27- 32Item~~ - **28Item** 1BUnresolved Staff CommentsNot applicableItem **1CCybersecurityPage 34Item** 2PropertiesPage ~~33Item~~ **35Item** 3Legal ProceedingsPage ~~33Item~~ **35Item** 4Mine Safety DisclosuresNot applicablePart IIItem 5Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity SecuritiesPage ~~26Item~~ **27Item** 6 [Reserved] Not applicableItem 7Management' s Discussion and Analysis of Financial Condition and Results of ~~OperationsPages~~ - **OperationsPage 8Item** ~~8- 35Item~~ 7AQuantitative and Qualitative Disclosures About Market ~~RiskPages~~ - **RiskPage** ~~22-~~ 23Item 8Financial Statements and Supplementary ~~DataPages~~ - **DataPage** ~~35- 57Item~~ **37Item** 9Changes in and Disagreements with Accountants on Accounting and Financial DisclosureNot applicableItem 9AControls and ProceduresPage ~~62Item~~ **65Item** 9BOther InformationNot applicableItem 9CDisclosure Regarding Foreign Jurisdictions that Prevent InspectionsNot applicablePart IIIItem 10Directors, Executive Officers and Corporate GovernancePage ~~34~~ **36** , (a) Item 11Executive Compensation (a) Item 12Security Ownership of Certain Beneficial Owners and Management and Related Stockholder MattersPage ~~62~~ **65** , (a) Item 13Certain Relationships and Related Transactions, and Director Independence (a) Item 14Principal Accountant Fees and Services (a) Part IVItem 15Exhibits and Financial Statement ~~SchedulesPages~~ - **SchedulesPage** ~~63- 64Item~~ **66Item** 16Form 10- K SummaryNot applicableSignaturesPage ~~66~~ **69**