

MCDONALDS CORP
Form 11-K
June 26, 2003

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(Manually Signed)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

or

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

For the transition period from _____ to _____
Commission file number _____

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

McDonald's Corporation Profit Sharing and Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**McDonald's Corporation
McDonald's Plaza
Oak Brook, Illinois 60523**

McDonald's Corporation Profit Sharing and Savings Plan

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| | | |
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Financial Statements and Supplemental Schedules

**McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)**

*December 31, 2002 and 2001 and year ended December 31, 2002
with Report of Independent Auditors*

Employer Identification #36-2361282
Plan #001

**McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)**

Financial Statements and Supplemental Schedules

December 31, 2002 and 2001 and year ended December 31, 2002

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Report of Independent Auditors

To Administrative Committee
McDonald's Corporation Profit Sharing and Savings Plan

We have audited the accompanying statements of net assets available for benefits of McDonald's Corporation Profit Sharing and Savings Plan (formerly known as the McDonald's Corporation Profit Sharing Program) as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's Administrative Committee. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its net assets available for benefits for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2002, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 1, 2003
Chicago, Illinois

Ernst & Young LLP

EIN 36-2361282
Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Statements of Net Assets Available for Benefits

(In Thousands)

December 31, 2002

| | Participant-Directed Investments | Leveraged ESOP* | | Total |
|---|----------------------------------|-------------------|---------------------|-----------|
| | | Allocated Account | Unallocated Account | |
| Assets | | | | |
| Investments, at fair value: | | | | |
| Commercial paper and other short-term investments | \$ 25,403 | \$ 5,323 | \$ | \$ 30,726 |
| Mutual funds | 104,795 | | | 104,795 |
| | 111,357 | | | 111,357 |

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| | Leveraged ESOP* | | | |
|--|------------------------|-------------------|------------------|---------------------|
| Common and preferred stocks other than McDonald's Corporation | | | | |
| McDonald's Corporation common stock | 335,027 | 152,671 | 131,447 | 619,145 |
| Participant loans | 14,792 | | | 14,792 |
| Investments, at contract value: | | | | |
| Investment contracts | 415,035 | | | 415,035 |
| Total investments | 1,006,409 | 157,994 | 131,447 | 1,295,850 |
| Receivables: | | | | |
| Company contributions | 21,946 | | | 21,946 |
| Accrued income | 120 | 7 | 6 | 133 |
| Other | 271 | (237) | | 34 |
| Total receivables | 22,337 | (230) | 6 | 22,113 |
| Total assets | 1,028,746 | 157,764 | 131,453 | 1,317,963 |
| Liabilities | | | | |
| Management and administrative expenses payable | 1,430 | 56 | | 1,486 |
| Accrued interest expense | | | 2,904 | 2,904 |
| Notes payable | | | 108,462 | 108,462 |
| Other liabilities | 6,032 | 1,050 | | 7,082 |
| Total liabilities | 7,462 | 1,106 | 111,366 | 119,934 |
| Net assets available for benefits | \$ 1,021,284 | \$ 156,658 | \$ 20,087 | \$ 1,198,029 |

*Nonparticipant directed investment.

The accompanying notes are an integral part of these financial statements.

EIN 36-2361282
Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Statements of Net Assets Available for Benefits
(In Thousands)

December 31, 2001

| | McDESOP and Leveraged ESOP | | |
|----------------------------|-----------------------------------|----------------------------|--------------|
| Profit-Sharing Plan | Allocated Account | Unallocated Account | Total |
| | | | _____ |

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| | McDESOP and Leveraged ESOP | | | |
|---|---------------------------------------|-------------------|-------------------|---------------------|
| | _____ | _____ | _____ | _____ |
| Assets | | | | |
| Investments, at fair value: | | | | |
| Commercial paper and other short-term investments | \$ 62,066 | \$ 2,723 | \$ 3,724 | \$ 68,513 |
| Corporate bonds | 1,000 | | | 1,000 |
| Government bonds | 1,028 | | | 1,028 |
| Mutual funds | 120,499 | | | 120,499 |
| Common and preferred stocks other than McDonald's Corporation | 172,781 | | | 172,781 |
| McDonald's Corporation common stock | 198,574 | 741,557 | 236,666 | 1,176,797 |
| Investments, at contract value: | | | | |
| Investment contracts | 330,541 | | | 330,541 |
| Total investments | 886,489 | 744,280 | 240,390 | 1,871,159 |
| Receivables: | | | | |
| Company contributions | 27,350 | 258 | | 27,608 |
| Accrued income | 544 | 7 | 7 | 558 |
| Other | 1,192 | (496) | | 696 |
| Total receivables | 29,086 | (231) | 7 | 28,862 |
| Total assets | 915,575 | 744,049 | 240,397 | 1,900,021 |
| Liabilities | | | | |
| Management and administrative expenses payable | 1,275 | 753 | | 2,028 |
| Accrued interest expense | | | 3,021 | 3,021 |
| Notes payable | | | 115,865 | 115,865 |
| Other liabilities | 524 | 1,563 | | 2,087 |
| Total liabilities | 1,799 | 2,316 | 118,886 | 123,001 |
| Net assets available for benefits | \$ 913,776 | \$ 741,733 | \$ 121,511 | \$ 1,777,020 |

The accompanying notes are an integral part of these financial statements.

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Statement of Changes in Net Assets Available for Benefits
(In Thousands)

Year ended December 31, 2002

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| | Leveraged ESOP* | | | Total |
|---|---|--------------------------|----------------------------|---------------------|
| | Participant-Directed Investments | Allocated Account | Unallocated Account | |
| Net investment income (loss) | | | | |
| Dividend income | \$ 7,657 | \$ 2,232 | \$ 1,954 | \$ 11,843 |
| Interest income | 23,597 | 110 | 78 | 23,785 |
| Net realized and unrealized depreciation in fair value of investments | (289,009) | (98,972) | (86,489) | (474,470) |
| Interest expense | | | (8,010) | (8,010) |
| Management and administrative fees | (4,589) | (679) | | (5,268) |
| Total net investment loss | (262,344) | (97,309) | (92,467) | (452,120) |
| Contributions | | | | |
| Company | 34,553 | 8,639 | 7,541 | 50,733 |
| Participants | 42,708 | 445 | | 43,153 |
| Total contributions | 77,261 | 9,084 | 7,541 | 93,886 |
| Allocations | | | | |
| Leveraged ESOP year-end allocations | | | (16,498) | (16,498) |
| Other changes | | | | |
| Benefits paid to terminated participants and withdrawals | (162,488) | (41,245) | | (203,733) |
| Interfund transfers (net) | 451,831 | (451,831) | | |
| Other | 3,248 | (3,774) | | (526) |
| Total other changes | 292,591 | (496,850) | | (204,259) |
| Net increase (decrease) in net assets available for benefits | 107,508 | (585,075) | (101,424) | (578,991) |
| Net assets available for benefits at beginning of year | 913,776 | 741,733 | 121,511 | 1,777,020 |
| Net assets available for benefits at end of year | \$ 1,021,284 | \$ 156,658 | \$ 20,087 | \$ 1,198,029 |

*Nonparticipant directed investment.

The accompanying notes are an integral part of these financial statements.

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Notes to Financial Statements

December 31, 2002 and 2001 and year ended December 31, 2002

1. Description of the Program

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The McDonald's Corporation Profit Sharing Program ("the Program") was formed January 1, 1989, when the McDonald's Corporation Savings and Profit Sharing Plan ("Profit Sharing Plan") was merged with the McDonald's Matching and Deferred Stock Ownership Plan ("McDESOP"). The Profit Sharing Plan was a noncontributory, defined-contribution plan. The Profit Sharing Plan included the Investment Savings account, which permitted participants to contribute after-tax dollars to the Profit Sharing Plan prior to 1987. McDESOP consisted of two components. The first component was a salary deferral plan with McDonald's Corporation ("the Company") matching allocations, and the second component was an employee stock ownership plan ("Leveraged ESOP"). Effective December 28, 1995, the McDonald's Corporation Stock Sharing Plan (a tax-credit ESOP, in effect prior to 1987) was merged with the Program. The assets of the Stock Sharing Plan were transferred into McDESOP.

The plan documents with respect to the respective portions of the merged plan remained in effect until the Program, as amended and restated effective January 1, 1997, became effective. The Program was since amended and restated effective November 1, 1998. In addition, the Program had three amendments effective June 1, 2000, January 1, 2001, and March 1, 2001, respectively.

Effective January 1, 2002, the Program was amended and restated in its entirety and renamed the McDonald's Corporation Profit Sharing and Savings Plan (the "Plan"). In addition, the McDonald's Matching and Deferred Stock Ownership Trust was merged with the McDonald's Corporation Profit Sharing Master Trust to create the McDonald's Corporation Profit Sharing and Savings Trust (the "Trust"), effective December 31, 2001. The features of the Plan were renamed 401(k) (which includes the participant contributions as well as the employer match), Profit Sharing (which includes Investment Savings), ESOP, Stock Sharing, and Rollover. The Plan has four amendments effective January 1, 2002, June 1, 2002, November 27, 2002, and March 31, 2003.

The Plan is administered by a committee of individuals ("Administrative Committee") appointed by the Chief Executive Officer of the Company. Participants should refer to the Summary Plan Description and Prospectus for a more complete description, and up-to-date information.

Record Keeping

Effective February 8, 2002, the Plan outsourced its record-keeping function to Northern Trust Retirement Consulting, following a transition period, which began January 1, 2002. Prior to this date, record-keeping functions were performed by the Company.

Eligibility

In order to participate in the 401(k) feature of the Plan, all eligible employees must be at least 21 years of age, have a valid Social Security number, and be on the U.S. payroll of the Company or Boston Market, Chipotle, or Donatos (collectively, Brand Employers). Full-time salaried restaurant managers,

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staff, executives, and part-time staff scheduled to work at least 20 hours per week, are eligible to make non-matched 401(k) contributions beginning the first day of the month after completing one full calendar month of employment. Crew and hourly paid employees are eligible after one year of "eligible service" as defined by the Plan documents. After meeting the eligibility requirements, participants can contribute up to 15% of their pay. After one year of eligible service, the Company match is 100% on the first 3% of pay contributed and 50% on the next 2% of pay contributed. Prior to January 1, 2002, participants could defer up to 6% to 10% (depending on job classifications) of their pay for matching purposes and up to an additional 7% that was unmatched. Additionally, eligible McDonald's staff and restaurant management employees who have met the above match eligibility requirements and who have completed 1,000 hours of service and are on the payroll at year-end, are also eligible for Profit Sharing and ESOP contributions. Employees of Brand Employers can participate in the Profit Sharing and ESOP features if the Company allows the Brand Employers to adopt these features. As of December 31, 2002, no Brand Employer has adopted the Profit Sharing or ESOP features.

Investments and Elections

For 2001, the investment funds under the Plan were Money Market Fund, Stable Value Fund, Blended Stock/Bond Fund, International Stock Fund, S&P 500 Index Fund, Diversified Stock Fund, Company Stock Fund, and the McDonald's ESOP Stock Fund. For 2002, the investment funds were the same except the Money Market Fund was eliminated.

The Trustees, individuals appointed by the Board of Directors of McDonald's Corporation ("the Board"), are authorized to invest certain assets of the Plan in shares of Company stock. The allocated Leveraged ESOP shares are held by The Northern Trust Company. The unallocated Leveraged ESOP shares are also held at The Northern Trust Company as custodian for shares held as collateral for loans by McDonald's Corporation and Wachovia Bank. Proceeds from the Leveraged ESOP common stock dividends are invested in an interest-bearing account until the note payment is due.

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Effective February 8, 2002, participants can elect, on a daily basis, to have their 401(k) and Profit Sharing account balances, as well as future deferrals, Company matching contributions, and profit-sharing contributions, invested in 1% increments in one or any combination of the Plan's investment funds, including Company stock. ESOP contributions, 401(k) contributions, and Company match, where the participant fails to make an investment direction, are automatically invested in Company stock. Profit Sharing accounts are invested in the Blended Stock/Bond Fund if a participant does not make an investment election. Participants age 50 or older may invest their ESOP accounts in one or more of the investment funds.

In 2001, participants could elect, effective as of the first day of any month, to have their Profit Sharing accounts invested in 5% increments in one or any combination of the Plan's investment funds. If a participant did not make an investment election, the Profit Sharing accounts were invested in the Money Market Fund. Participant deferrals under the 401(k) portion of the Plan could be invested in the same manner as the Profit Sharing accounts. The Company match and Leveraged ESOP shares were invested in Company shares until the participant attained age 50. At age 50 the participant could invest ESOP and Company match accounts in the same way as the Profit Sharing accounts were invested.

Any dividends or other distributions paid on Company stock owned by the Plan (see Note 6 regarding Leveraged ESOP stock dividends) are used to repay the Leveraged ESOP loans, and common stock equal to the value of the dividends on allocated shares are transferred from unallocated shares and allocated to participants' accounts.

Allocation of Contributions and Earnings

Profit Sharing contributions are determined by the Board. The Board may elect to make this discretionary contribution in the form of cash or McDonald's common stock or any combination of the

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two. In 2002 and 2001, the Profit Sharing contribution was allocated to eligible McDonald's staff and restaurant management who were 21 years old, received credit for at least 1,000 hours of service during the year, and were employed at the end of the year. In addition, participants who terminated employment before the last day of the year due to death, disability, or retirement on or after age 55, share in the allocation of the Profit Sharing contribution in the year their employment terminates. Effective January 1, 2002, other events, such as the termination of employment with 10 years of credited service or due to the sale of a McDonald's restaurant, no longer qualify as events that give participants the right to share in the allocation of the Profit Sharing contribution and ESOP allocations. The allocation to participants is based on their respective considered compensation as defined in the Plan compared to all eligible participants' considered compensation. In 2001, the Profit Sharing contribution was reinvested in accordance with participants' investment elections in effect at that time, as soon as administratively possible after year-end. With the change to daily valuation, the year-end contribution can now be invested the day it is posted to participants' accounts.

Participant deferrals are credited directly to participants' accounts. In 2002, Company matching allocations were credited based on the Safe Harbor match (100% match on the first 3% of pay contributed and 50% on the next 2% of pay contributed) for all eligible participants, regardless of job class or employer. The match was credited to participant accounts after each pay period. Prior to January 1, 2002, the Company matching contribution amounted to 50% of the first 6% to 10% of pay contributed, depending on job class.

Net investment income or loss for all accounts is allocated to participants each day that the stock market was open. Participants' accounts were credited with the income, gains, and losses of the investment fund(s) in which their accounts were invested.

Individuals that are employed as a salaried restaurant manager or staff with a licensee-owned restaurant that is purchased by McDonald's or Brand Employer and are at least age 21 may enter the 401(k) feature of the Plan as soon as administratively feasible and be eligible for the employer match. If McDonald's purchased the restaurant, the individuals described above will automatically enter the Profit Sharing and ESOP features of the Plan and receive two years of credited service toward vesting unless considered a "highly paid" employee. "Highly paid" employees will receive the lesser of two years credited service or actual years of employment.

Leveraged Employee Stock Ownership Plan (Leveraged ESOP)

In September 1989, the Leveraged ESOP borrowed \$200 million and used the proceeds of the loan to purchase 27,826,084 shares of McDonald's Series B Convertible Preferred Stock at an issue price of \$7.188 per share. These preferred shares were held exclusively by the Leveraged ESOP and were not traded on the open market. The Company paid a cash dividend on the stock of 7% of the issue price, or \$0.12579 per share each quarter. In September 1992, the Company redeemed 16,000,000 shares of unallocated Series B Preferred shares held by the Leveraged ESOP. In August 1995, the Company redeemed the remaining 6,230,058 unallocated Series B preferred shares, and in December 1995, the remaining 4,176,122 allocated Series B preferred shares were redeemed. Prior to each redemption, the Program's Trustees converted each share of Preferred Stock into .7692 shares of McDonald's Common Stock, or 12,307,200, 4,792,159, and 3,212,271 shares, respectively. The unallocated shares will be released for allocation to participants as Company contributions are made to the Plan. Effective November 1, 1998, released

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shares are first used to make matching allocations, and any remaining shares released are allocated annually to eligible participants' accounts based on their respective considered compensation. Due to the Leveraged ESOP refinancing discussed in Note 6, the last allocation will occur in 2018 when the refinanced loan is completely repaid.

In April 1991, the Leveraged ESOP borrowed \$100 million and used the proceeds of the loan to purchase 12,075,468 shares of McDonald's Series C Convertible Preferred Stock at an issue price of \$8.281 per share. These preferred shares were held exclusively by the Leveraged ESOP and were not

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traded on the open market. The Company paid a cash dividend on the stock of 7% of the issue price or \$0.1449 per share each quarter. In August 1995, the Company redeemed the remaining 8,928,110 unallocated Series C preferred shares, and in December 1995, the remaining 2,710,514 allocated Series C preferred shares were redeemed. Prior to each redemption, the Program's Trustees converted each share of Preferred Stock into .8 shares of McDonald's Common Stock or 7,142,486 and 2,168,409 shares, respectively. The unallocated shares will be released for allocation to participants as Company contributions are made to the Plan. Effective November 1, 1998, released shares are first used to make matching allocations, and any remaining shares released are allocated to eligible participants' accounts based on their respective considered compensation. Due to the 1999 Leveraged ESOP refinancing discussed in Note 6, the last allocation will occur in 2018 when the refinanced loan is completely repaid.

Vesting

401(k) accounts and Company matching contributions are fully vested and nonforfeitable regardless of the participant's length of employment with the Company. Effective January 1, 2000, for employees who are active on or after that date, within Profit Sharing and ESOP accounts, participants vest 20% for each year of credited service until they reach a 100% vested status after completing five years of credited service.

Diversification

All participants, regardless of age, may diversify their entire 401(k) balance (which includes employer matching allocations, as of February 8, 2002) and Profit Sharing balance at any time. Prior to February 8, 2002 matching contributions were required to remain invested in McDonald's common stock until age 50. ESOP account balances cannot be diversified from Company stock until age 50. Participants at least age 50 are eligible to diversify all accounts under the Plan. Also see Note 10, Subsequent Events.

Termination and Forfeitures

Participants who terminate their employment with the Company and all Brand Employers are entitled to receive the vested interest in their Plan accounts within a reasonable time following their termination. The nonvested balance is forfeited at the end of the year in which the participant has five consecutive breaks-in-service, or upon distribution of the vested balance, whichever is earlier. If a participant does not terminate but has 500 or fewer hours of credited service during a calendar year, a break-in-service occurs. Participants who terminate employment after satisfying the requirements to make deferrals and subsequently rehire can resume making deferrals as soon as administratively feasible. Individuals who are reemployed before incurring five consecutive one-year Breaks-In-Service and were not fully vested in their Profit Sharing or ESOP account, will have the amount previously forfeited restored upon rehire. Individuals rehired after five consecutive one-year Breaks-In-Service, will not have any forfeitures on their Profit Sharing or ESOP account reinstated. An individual's years of vesting service earned before reemployment are added to their years of vesting service earned after reemployment.

Forfeitures are first used from all accounts (other than ESOP) to fund participants' 401(k) and Company matching contributions.

Leveraged ESOP forfeitures are allocated at the end of the calendar year to participants in the same manner as the allocation of the Company leveraged ESOP contributions.

Forfeitures also include amounts forfeited as a result of unclaimed payouts greater than two years old for Profit Sharing, Leveraged ESOP, and the 401(k) and Company matching contributions.

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A terminated participant with vested benefits in excess of \$5,000 will not receive a distribution from the Plan until age 70^{1/2} unless an earlier distribution is elected. Such accounts will continue to share in the allocation of investment income, and accounts will continue to be invested in accordance with the participant's investment elections (See Note Investments and Elections).

Rollovers

The Plan allows employees who were in a tax-qualified plan elsewhere to roll over all or part of their previous plan money into the Plan where it can be invested in one or a combination of the Plan's investment funds. To qualify, the employee must contribute all or part of the amount received, excluding the employee's after-tax contributions, to the Plan within 60 days after receiving a payout from the other plan. In addition to rollovers from previous employers tax-qualified plans, effective January 1, 2002, employees can roll over their money (excluding employees' after-tax money) into the Plan from tax deferred annuities, qualified employee annuities, deferred compensation arrangements maintained by a governmental employer as described in Internal Revenue Code (IRC) Section 457(e)(16), and rollover individual retirement accounts established with the proceeds of a distribution from one of the plans described above provided that additional contributions had not been made.

In-Service Withdrawals

Effective January 1, 2001, participants who have been in the Plan for at least 60 months are eligible to withdraw up to 75% of their Leveraged ESOP and Profit Sharing Accounts while still employed with the Company or Brand Employers. Participants may only make one withdrawal in a calendar year, in regards to Profit Sharing and ESOP. Participants 59^{1/2} or older may withdraw all or any part of their account balances under the Plan at any time.

Pass Through Dividend Election

Effective November 2002 participants were offered the choice of having dividends earned on shares in the McDonald's Stock Fund paid directly to them in cash or reinvested in their accounts in McDonald's common stock.

Loans

Effective June 1, 2002, participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested balance reduced by the participants highest outstanding loan balance during the preceding 12-month period. All loans are subject to a \$60 processing fee. Loan terms range from 12 months up to 4.5 years. The loans are secured by the balance in the participant's account and bear interest based on the prime rate in effect on the first day of the month in which the loan is processed, plus 1%. Principal and interest are paid ratably through payroll deductions.

Voting

Participants are entitled to direct the Trustees in voting shares of McDonald's Stock credited to their accounts. In addition, participants who are employees may direct the vote on unallocated and unvoted shares based on the relative allocated shares credited to their accounts.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In the event of Plan termination, participants will become fully vested in their accounts.

The Plan held a beneficial interest in the McDonald's Savings and Profit Sharing Master Trust ("Master Trust"). Earnings, market adjustments, fees, and expenses relating to investment transactions of the Master Trust were allocated to the participating plans (the Program and MHDC Partners Savings and Profit Sharing Plan) based on each plan's share of the Trust assets. The MHDC Partner Savings and Profit Sharing Plan was terminated effective November 30, 2001. Therefore, effective January 1, 2002, the Trust is no longer a master trust.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Investment Valuation

Investments (except for those in insurance contracts) are stated at fair market value. Investments in common and preferred stocks and corporate bonds are valued at the closing exchange prices reported by the New York Stock Exchange. The market values for commercial paper and other short-term investments are cost plus accrued interest, which approximates current market value. The insurance contracts are stated at contract value, which represents cost plus accrued interest less withdrawals.

Purchases and sales of securities are accounted for on the trade date. Realized gains or losses on the sale of securities are based on the average cost of the securities. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

Company Contributions

Profit Sharing and Leveraged ESOP contributions are recorded in participants' accounts when received annually. The 401(k) Company matching allocations and participant elected salary reductions are recorded in participants' accounts at the end of the applicable payroll period.

The Plan received a \$1.4 million cash advance from the Company in 2002, which was allocated with the year-end, profit-sharing contribution.

Unallocated Net Assets Available for Benefits

Unallocated net assets available for benefits represents the market value of shares of McDonald's common stock purchased through the Leveraged ESOP which has not been released for allocation to participants' accounts offset by the balance of the debt issued by the Leveraged ESOP. Unallocated net assets available for benefits are reduced by the market value of the shares as they are allocated to participants.

Reclassification

Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 presentation.

3. Investments

During 2002, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) as follows (in thousands):

| | | |
|-------------------------------------|----|-----------|
| Mutual funds | \$ | (24,876) |
| Common stocks | | (47,974) |
| McDonald's Corporation common stock | | (401,620) |
| | | <hr/> |
| | \$ | (474,470) |
| | | <hr/> |

The fair value of individual investments that represent 5% or more of the Plan's assets available for benefits are as follows (in thousands):

| | December 31 | |
|-------------------------------------|-------------|--------------|
| | 2002 | 2001 |
| McDonald's Corporation common stock | \$ 619,145 | \$ 1,176,797 |

December 31

Investment contracts (at contract value):

| | | |
|---------------------------------|--------|---|
| Allstate Life Insurance Company | 67,820 | * |
| Pacific Life Insurance Company | 92,151 | * |
| UBS AG | 78,975 | * |

*Did not meet 5% threshold.

The following is a summary of each investment contract held at December 31, 2002:

| | 2002 Average Yield | 2001 Average Yield | 2002 Crediting Interest Rate* | 2001 Crediting Interest Rate | Book Value | Fair Market Value | Fair Value of Wrapper |
|---------------------------------|--------------------------|--------------------------|--|---------------------------------------|----------------|-------------------------|-----------------------------|
| Allstate Life Insurance Company | 5.19% | 6.20% | 5.29% | 5.70% | \$ 67,819,795 | \$ 70,564,375 | \$ (2,744,580) |
| Bank of America NT & SA | 6.75 | 9.58 | 6.24 | 8.84 | 56,017,733 | 59,952,510 | (3,934,777) |
| Caisse Des Depots | 5.26 | 6.10 | 5.21 | 5.83 | 48,530,256 | 51,465,898 | (2,935,642) |
| Pacific Life Insurance Company | 2.83 | 5.61 | 2.69 | 3.49 | 671,178 | 676,306 | N/A |
| Pacific Life Insurance Company | 5.13 | 5.62 | 3.54 | 4.66 | 7,734,903 | 7,867,501 | N/A |
| Pacific Life Insurance Company | 6.37 | 7.02 | 6.37 | 7.02 | 92,151,286 | 96,643,514 | (4,492,228) |
| Pacific Life MBIA Insured | 6.68 | 6.68 | 6.49 | 6.49 | 21,246,717 | 22,047,751 | N/A |
| Pacific Life Insurance Company | 5.83 | 5.45 | 5.69 | 6.06 | 38,882,902 | 43,544,562 | N/A |
| State Street Bank & Trust | 2.59 | | 2.49 | | 3,005,398 | 3,019,838 | N/A |
| UBS AG | 4.16 | | 4.10 | | 78,974,925 | 80,673,011 | N/A |
| | | | | | \$ 415,035,093 | \$ 436,455,266 | |

*The crediting interest rate is determined at the end of each calendar year.

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4. Nonparticipant-Directed Investments

Allocated ESOP consists of nonparticipant directed investments. In 2001, the Company matching contributions for 401(k) contributions were also nonparticipant directed investments. The unallocated Leveraged ESOP consists of nonparticipant-directed investments. Information about the assets and the significant components of the changes in assets is disclosed in the "Allocated Fund" and "Unallocated Fund" columns on pages 2 through 4 of the basic financial statements.

5. Master Trust Summarized Information

The following represents the summarized information of the net assets of the Master Trust as of December 31, 2001 (in thousands). The Master Trust was terminated December 31, 2001.

| | 2001 |
|----------------------------|--------------|
| Total investments | \$ 1,871,159 |
| Total receivables | 28,862 |
| Total liabilities | (123,001) |
| Net assets | \$ 1,777,020 |
| Plan's share of net assets | \$ 1,777,020 |

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| | <u>2001</u> |
|---|---------------------|
| Dividend income | \$ 13,398 |
| Interest income | 30,558 |
| Net realized and unrealized depreciation in fair value of investments | (407,473) |
| Total expenses | <u>(12,303)</u> |
| Total net investment loss | \$ (375,820) |
| Plan's share of net investment loss | <u>\$ (375,701)</u> |

6. Notes Payable

In September 1989, the Leveraged ESOP issued \$200 million of 7.67% Guaranteed ESOP Notes, Series A, for 15 years with a final maturity of September 15, 2004. In April 1991, the Leveraged ESOP issued \$100 million of 7.30% Guaranteed ESOP Notes, Series B, for 15 years with a final maturity of June 1, 2006. In November 1999, the Leveraged ESOP paid down \$84,740,000 of these notes and refinanced both the Series A and Series B notes. At that time, the Leveraged ESOP issued a \$104,672,800, 7.11% ESOP Note, for 19 years with a final maturity of July 15, 2018, and a \$28,305,658, 7.11% ESOP Note, for 3 years with a final maturity of July 15, 2002. Principal and interest payments are made according to the applicable loan schedules. Dividends on the converted common stock and Company contributions are used to repay the loans.

In December 1994, the Leveraged ESOP issued a total of \$17,460,000 of 6.52%, 6.59%, and 6.57% Guaranteed ESOP Notes, Series C, with final maturities of September 15, 2004, June 1, 2006, and December 1, 2005, respectively. In November 1999, \$8,684,656 of these notes were paid down, leaving a total of \$8,775,344 remaining. In December 1995, the Leveraged ESOP issued a total of \$18,970,000 of 6.74%, 6.75%, 6.72%, and 6.68% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004 and 2005, September 15, 2004, and December 15, 2003, respectively. In November 1999, \$11,771,030 of these notes were paid down, leaving a total of \$7,198,970 remaining. In December 1996, the Leveraged ESOP issued a total of \$20,220,000 of 6.82%, 6.75%, and 6.77% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004, December 15, 2002, and December 15, 2003, respectively. In November 1999, \$14,181,859 of these notes were paid down, leaving a total of \$6,038,141 remaining. In December 1997, the Leveraged ESOP issued a total of \$18,350,000 of 6.89%, 6.86%, and 6.81% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004, December 1, 2003, and December 15, 2002, respectively. In November 1999, \$13,600,913 of these notes were paid down, leaving a total of \$4,749,087 remaining. All proceeds were

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used for prepayment of the Series A and B Guaranteed ESOP Notes. The terms of the Series C Notes require semiannual interest payments with lump-sum principal payments at maturity date.

The Series B and Series C Notes are collateralized by unallocated shares of McDonald's common stock, valued at \$109,444,000 and \$22,003,000, respectively, at December 31, 2002. All Notes are guaranteed by McDonald's Corporation. Holders of the Notes have no recourse against the assets of the Leveraged ESOP, except for such collateralized shares, cash contributions to the Leveraged ESOP, and earnings attributable to such collateralized shares or contributions, which were valued at approximately \$131,447,000 at December 31, 2002. The unallocated shares of McDonald's common stock may be released from collateral under certain circumstances without the consent of the holders of the Notes.

Following are maturities of the Notes for each of the next five years and beyond (in thousands):

| | <u>Series A Notes</u> | <u>Series B Notes</u> | <u>Series C Notes</u> | <u>Total</u> |
|-------------|---------------------------|---------------------------|---------------------------|--------------|
| 2003 | \$ | \$ | \$ 7,181 | \$ 7,181 |
| 2004 | | | 7,895 | 7,895 |
| 2005 | 1,164 | 586 | 5,203 | 6,953 |
| 2006 | 3,314 | 1,669 | 2,300 | 7,283 |
| 2007 | 5,100 | 2,570 | | 7,670 |
| Beyond 2007 | 47,534 | 23,946 | | 71,480 |

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| | Series A Notes | Series B Notes | Series C Notes | Total |
|------------------------------------|-------------------|-------------------|-------------------|------------|
| Total over remaining life of Notes | \$ 57,112 | \$ 28,771 | \$ 22,579 | \$ 108,462 |

7. Administrative Fees

The custodian and investment managers' fees applicable to each investment fund are netted against the related investment income before investment income is allocated to participants' accounts. Certain administrative expenses directly associated with the Plan are paid by the Plan and charged to participants' accounts, including salary expenses for certain McDonald's employees. The Company provides other administrative services to the Plan without charge.

8. Income Tax Status

The Plan has received a favorable determination letter dated May 14, 2002, from the Internal Revenue Service ("the IRS") stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ("IRC") and that the Leveraged ESOP component of the Plan constitutes an employee stock ownership plan that meets the requirements of Section 4975 of the IRC. The Trust established in connection with the Plan appears to be exempt from federal income taxes.

9. Transactions With Parties In Interest

During 2002 and 2001, the Plan received \$9,081,000 and \$10,107,000, respectively, in common stock dividends from the Company. In connection with the Leveraged ESOP refinancing discussed in Note 6, \$132,978,458 of debt, at an interest rate of 7.11%, was issued directly by the Company to the Plan in 1999. This loan is intended to be an exempt loan under Section 408(b)(3) of ERISA and Section 4975(d)(3) of the IRC. Fees paid during the year for accounting and other services rendered by parties in interest were based on customary and reasonable rates for such services.

10. Subsequent Events

Effective March 31, 2003, participants can elect to fully diversify all accounts in the Plan, regardless of age or service.

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Supplemental Schedules

EIN 36-2361282
Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| The Northern Trust Company*: | | | |
| Non-Interest-Bearing Cash USD: | | | |
| USD United States Dollar | (1,966,579) | \$ | \$ (1,966,579) |
| Total Non-Interest-Bearing Cash USD | | | (1,966,579) |
| Receivables Other USD: | | | |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Pending Trade Sales: United States Dollar | | | 571,506 |
| Total Receivables Other USD | | | 571,506 |
| Corporate Debt Instruments Other: | | | |
| Microstrategy, Inc, Conv NT Ser A 7.5 Due 06-24-07 | 10,800 | | 2,754 |
| Total Corporate Debt Instruments Other | | | 2,754 |
| Corporate Stock Preferred: | | | |
| ADR News Corp Ltd Sponsored ADR REPSTG PFD LTD | 43,686 | | 989,488 |
| Total Corporate Stock Preferred | | | 989,488 |
| Corporate Stock Common: | | | |
| A C Moore Arts & Crafts Inc Com | 8,925 | | 113,437 |
| Abbot Lab Com | 28,500 | | 1,140,000 |
| Accenture Ltd Bermuda Cls A Com | 39,350 | | 707,907 |
| Accredohlth Inc Com | 3,420 | | 120,555 |
| Actel Corp Com | 9,725 | | 157,740 |
| Acxiom Corp Com | 6,550 | | 100,739 |
| Adobe Sys Inc Com | 5,020 | | 124,501 |
| ADR Koninklijke Philips Electrs N V N Y Registry SH New 20 | 65,000 | | 1,149,200 |

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McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| ADR Nokia Corp Sponsored ADR | 47,500 | \$ | \$ 736,250 |
| ADR SAP Aktiengesellschaftsponsored ADR | 2,400 | | 46,800 |
| ADR Stmicroelectronics N V SHS N Y Registry | 18,000 | | 351,180 |
| ADR Teva Pharmaceutical Inds Ltd ADR | 9,440 | | 364,478 |
| ADR Total Fina Elf S A Sponsored ADR | 32,550 | | 2,327,325 |
| Advanced Auto Pts Inc Com | 2,040 | | 99,756 |
| Advanced Fibre Communications Inc Com | 7,425 | | 123,849 |
| Aeroflex Inc Com | 27,600 | | 190,440 |
| Affiliated Managers Group Inc Com Stk | 2,410 | | 121,223 |
| Agilent Technologies Inc Com | 3,280 | | 58,909 |
| Altera Corp Com | 42,400 | | 522,792 |
| Amazon Com Inc Com | 5,690 | | 107,484 |
| Amer Express Co Com | 30,200 | | 1,067,570 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Americredit Corp Com | 22,600 | | 174,924 |
| Amerisourcebergen Corp Com | 1,530 | | 83,094 |
| Amern Intl Group Inc Com | 23,937 | | 1,384,755 |
| Amgen Inc Com | 30,200 | | 1,459,868 |
| AMR Corp Com | 8,310 | | 54,846 |
| Amsurg Corp Com | 5,200 | | 106,236 |
| Anheuser Busch Cos Inc Com | 14,400 | | 696,960 |
| Anteon Intl Corp Com | 5,925 | | 142,200 |
| Anthem Inc Com | 2,630 | | 165,427 |
| Apollo Group Inc Cl A | 1,920 | | 84,480 |
| Applied Materials Inc Com | 32,100 | | 418,263 |
| AT&T Corp Com New | 16,600 | | 433,426 |
| Avery Dennison Corp Com | 1,790 | | 109,333 |

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Plan #001

McDonald's Corporation Profit Sharing and Savings Plan

(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Ball Corp Com | 1,670 | \$ | 85,487 |
| Bank One Corp Com | 52,400 | | 1,915,220 |
| Barr Labs Inc Com | 3,950 | | 257,106 |
| Baxter Intl Inc Com | 22,200 | | 621,600 |
| Bea Sys Inc Com | 10,530 | | 120,779 |
| Bear Stearns Cos Inc Com | 2,150 | | 127,710 |
| Bed Bath Beyond Inc Com | 28,170 | | 972,710 |
| Biogen Inc Com | 2,510 | | 100,551 |
| Biomet Inc Com | 4,300 | | 123,238 |
| BJ Svcs Co Com | 3,470 | | 112,116 |
| Bk Amer Corp Com | 25,600 | | 1,780,992 |
| Borland Software Corp Com | 16,650 | | 204,795 |
| Cabot Microelectronics Corp Com | 1,440 | | 67,968 |
| Career Ed Corp Com | 4,150 | | 166,000 |
| Caremark RX Inc Com | 7,180 | | 116,675 |
| Caterpillar Inc Com | 20,800 | | 950,976 |
| CDW Computer Ctrs Inc Com | 3,260 | | 142,951 |
| Cendant Corp Com Stk | 141,900 | | 1,487,112 |
| Cephalon Inc Com | 7,400 | | 360,143 |
| Cheesecakefactory Inc Com | 6,710 | | 242,567 |
| Chicos Fas Inc Com | 4,520 | | 85,473 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Ciena Corp Com IPO 02-07-97 | 16,390 | | 84,245 |
| CIGNA Corp Com | 8,650 | | 355,688 |
| Cisco Sys Inc Com | 97,200 | | 1,273,320 |
| Citigroup Inc Com | 92,116 | | 3,241,562 |
| Citrix Sys Inc Com | 4,880 | | 60,122 |
| Clear Channel Communications Inc Com | 38,250 | | 1,426,343 |
| Coach Inc Com | 8,510 | | 280,149 |

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Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Coca Cola Co Com | 18,700 | \$ | \$ 819,434 |
| Coca Cola Enterprises Inc Com | 3,790 | | 82,319 |
| Com Kroll Inc Del | 9,075 | | 173,151 |
| Comcast Corp New Cl A | 47,742 | | 1,125,279 |
| Comm Bancorp Inc N J Com | 1,460 | | 63,057 |
| Comversetech Inc Com Par \$0.10 | 11,480 | | 115,030 |
| Conceptus Inc Com | 10,200 | | 122,196 |
| ConocoPhillips Com | 41,064 | | 1,987,087 |
| Convergys Corp Com | 5,560 | | 84,234 |
| Coopercameron Corp | 1,710 | | 85,192 |
| Corinthian Colleges Inc Com Stk | 3,773 | | 142,846 |
| Corporate Executive Brd Co Com Stk | 8,950 | | 285,684 |
| Cost Plus Inc Cal Com | 7,300 | | 209,291 |
| Costco Whsl Corp New Com | 16,200 | | 454,572 |
| Countrywidefinl Corp Com Stk \$.05 Par | 1,110 | | 57,332 |
| Covance Inc Com | 5,500 | | 135,245 |
| Coventryhlth Care Inc Com | 7,900 | | 229,337 |
| Cumulus Media Inc Cl A Del | 20,914 | | 310,991 |
| Cymer Inc Com | 4,370 | | 140,933 |
| CYTYC Corp Com | 12,800 | | 130,560 |
| Dell Computer Corp Com | 37,600 | | 1,005,424 |
| Denbury Res Inc Com | 9,000 | | 101,700 |
| Dentsply Intl Inc New Com | 2,350 | | 87,420 |
| Dollar Tree Stores Inc Com | 9,550 | | 234,644 |
| Doral Finl Corp Com | 2,010 | | 57,486 |
| Ecolab Inc Com | 2,460 | | 121,770 |
| Electr Arts Com | 2,830 | | 140,849 |

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Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Electronics For Imaging Inc Com | 13,275 | \$ | \$ 215,865 |
| Emulex Corp Com New | 9,500 | | 176,225 |
| Encana Corp Com NPV | 37,472 | | 1,165,379 |
| Entergy Corp New Com | 23,250 | | 1,059,968 |
| Eon Labs Inc Com | 9,600 | | 181,536 |
| Equitable Res Inc Com | 4,825 | | 169,068 |
| Espeed Inc Cl A | 20,350 | | 344,749 |
| Expressjet Hldgs Inc Com | 13,300 | | 136,325 |
| Extreme Networks Inc Com | 17,400 | | 56,898 |
| Exxon Mobil Corp Com | 1,926 | | 67,294 |
| Fiserv Inc Com | 4,740 | | 160,923 |
| Fisher Scientific Intl Inc Com New | 10,400 | | 312,832 |
| FNMA Com Stk | 23,150 | | 1,489,240 |
| Forest Lab Inc Com | 2,300 | | 225,906 |
| FTI Consulting Inc Com | 1,600 | | 64,240 |
| Gannett Inc Com | 13,991 | | 1,004,554 |
| Gen Dynamics Corp Com | 7,300 | | 579,401 |
| Gen Elec Co Com | 29,448 | | 717,059 |
| Genentech Inc Com Stk | 14,100 | | 467,556 |
| Genzyme Corp Com | 2,520 | | 74,516 |
| Gilead Sci Inc Com | 4,480 | | 152,320 |
| Gillette Co Com | 15,700 | | 476,652 |
| Globespan Virata Inc Com | 25,800 | | 113,778 |
| Goldman Sachs Group Inc Com | 26,450 | | 1,801,245 |
| Gray T.V Inc Com Cl B | 29,800 | | 290,550 |
| Guidant Corp Com Stk | 18,300 | | 564,555 |
| Halliburton Co Com | 4,860 | | 90,931 |
| Harley Davidson Inc Com | 16,800 | | 776,160 |

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McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Hartford Finl Svcs Group Inc Com | 11,700 | \$ | \$ 531,531 |
| HCA Inc Com | 19,950 | | 827,925 |
| Hershey Foods Corp Com | 980 | | 66,091 |
| Hewlett Packard Co Com | 121,700 | | 2,112,712 |
| Hot Topic Inc Com | 4,850 | | 110,968 |
| Immucor Inc Com Stk | 3,900 | | 78,975 |
| Insight Enterprises Inc Com | 16,100 | | 133,791 |
| Intel Corp Cap | 58,200 | | 906,174 |
| Internet Sec Sys Inc Com | 4,420 | | 81,019 |
| Intl Business Machs Corp Com | 8,000 | | 620,000 |
| Intl Game Tech Com | 2,040 | | 154,877 |
| Intl Paper Co Com | 13,800 | | 482,586 |
| Investors Finl Svcs Corp Del Com | 4,280 | | 117,229 |
| Iron Mtn Inc Com Stk | 2,900 | | 95,729 |
| JDS Uniphase Corp Com Isin | 29,380 | | 72,569 |
| Johnson & Johnson Com | 24,000 | | 1,289,040 |
| Juniper Networks Inc Com | 11,370 | | 77,316 |
| Kimberly Clark Corp Com | 12,550 | | 595,748 |
| Kinder Morgan Inc Com Stk | 1,660 | | 70,168 |
| KLA Tencor Corp | 9,600 | | 339,552 |
| Knight Transn Inc Com | 8,750 | | 183,750 |
| Kohls Corp Com | 23,300 | | 1,303,635 |
| Kos Pharmaceuticals Inc Com | 11,150 | | 211,850 |
| Lab Corp Amer Hldgs Com New | 3,190 | | 74,136 |
| Labranche & Co Inc Com Isin | 8,775 | | 233,766 |
| Lam Resh Corp Com | 14,110 | | 152,388 |
| Lamar Advertising Co Cl A Com | 9,970 | | 335,491 |
| Lauder Estee Cos Inc Cl A | 17,200 | | 454,080 |
| 20 | | | |

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McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Legg Mason Inc Com | 2,600 | \$ | \$ 126,204 |
| Lexmark Intl Inc New Cl A | 2,010 | | 121,605 |
| Liberty Media Corp New Com Ser A | 232,000 | | 2,074,080 |
| Lifepoint Hosps Inc Com Isin | 1,520 | | 45,495 |
| Lin TV Corp Cl A | 8,675 | | 211,236 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|-------------|------------------|
| Lockheed Martin Corp Com | 11,900 | | 687,225 |
| Loews Corp Com | 31,600 | | 1,404,936 |
| Loews Cos Inc Com | 17,000 | | 637,500 |
| Manhattan Assocs Inc Com | 8,000 | | 189,280 |
| Manpower Inc Wis Com | 2,990 | | 95,381 |
| Marriott Intl Inc New Com Stk Cl A | 22,200 | | 729,714 |
| Marvell Tech Group Marvell Tech Group Inc | 7,475 | | 140,978 |
| McDonalds Corp Com * | 38,504,065 | 541,610,775 | 619,145,365 |
| Medimmune Inc Com | 21,720 | | 590,132 |
| Medsource Technologies Inc Oc-Com | 11,350 | | 73,662 |
| Merck & Co Inc Com | 8,100 | | 458,541 |
| Mercury Interactive Corp Com | 3,960 | | 117,414 |
| Meritage Corp Com | 4,325 | | 145,536 |
| Merrill Lynch & Co Inc Com | 17,500 | | 664,125 |
| Metlife Inc Com Isin | 46,700 | | 1,262,768 |
| MGM Mirage Com | 2,440 | | 80,447 |
| Michaels Stores Inc Com | 2,560 | | 80,128 |
| Microsoft Corp Com | 37,100 | | 1,918,070 |
| Microstrategy Inc Wt Pur Cl A Exp | 256 | | 15 |
| Mid Atlc Med Svcs Inc Com | 1,530 | | 49,572 |
| Murphy Oil Corp Com | 2,020 | | 86,557 |
| Nabors Industries Com USD 0.10 | 1,570 | | 55,374 |
| Navistar Intl Corp New Com | 4,930 | | 119,848 |

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McDonald's Corporation Profit Sharing and Savings Plan

(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Netiq Corp Com | 12,250 | \$ | \$ 151,288 |
| Netscreen Technologies Inc Com | 5,800 | | 97,672 |
| Network Appliance Inc Del | 10,250 | | 102,500 |
| Networks Assoc Inc Com Stk | 5,880 | | 94,609 |
| Neubergerberman Inc Com Stk | 1,880 | | 62,961 |
| New York Times Co Cl A Isin | 12,400 | | 567,052 |
| Nextel Communications Inc Cl A Com Stk | 16,810 | | 194,155 |
| Nortel Networks Corp New Com | 58,070 | | 93,493 |
| Northrop Grumann Corp Com | 23,071 | | 2,237,887 |
| Novell US Sys Inc Com | 17,880 | | 502,070 |
| Nvidia Corp Com | 4,840 | | 55,708 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Odysseyre Hldgs Corp Com | 12,450 | | 220,365 |
| Omnicare Inc Com | 1,920 | | 45,754 |
| Omnicom Group Inc Com | 6,000 | | 387,600 |
| Overture Svcs Inc Com Stk | 11,375 | | 310,651 |
| Pacer Intl Inc Tenn Com | 12,200 | | 162,260 |
| Panera Bread Co Cl A | 1,830 | | 63,702 |
| Parlex Corp Com | 7,500 | | 73,575 |
| Patterson UTI Energy Inc Com | 6,385 | | 192,635 |
| Peoplesoft Inc Com | 4,450 | | 81,435 |
| Pepsi Bottling Group Inc Com Stk Isin | 3,400 | | 87,380 |
| Pepsico Inc Com | 20,650 | | 871,843 |
| Performance Food Group Co Com | 1,600 | | 54,334 |
| Pfizer Inc Com | 47,600 | | 1,455,132 |
| Pharmaceutical Prod Dev Inc Com | 4,220 | | 123,519 |
| Pharmacia Corp Com | 16,942 | | 708,176 |

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McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Photon Dynamics Inc Com | 2,600 | \$ | \$ 59,280 |
| Pioneer Nat Res Co Com Stk | 3,750 | | 94,688 |
| PMC Sierra Inc Com | 10,170 | | 56,545 |
| Pogo Prod Co Com | 1,610 | | 59,972 |
| Polycom Inc Com | 7,300 | | 69,496 |
| Procter & Gamble Co Com | 8,300 | | 713,302 |
| Prov Healthcare Co Com | 16,675 | | 162,248 |
| Providian Finl Corp Com | 11,560 | | 75,024 |
| Pvtpl Focal Communications Corp Wt Exp | 4,721 | | 1 |
| Qlogic Corp Com | 1,310 | | 45,208 |
| Raymond James Fncl Inc Com Stk | 1,210 | | 35,792 |
| Renaissance Re Hldgs Ltd Com | 1,800 | | 71,280 |
| Rent A Ctr Inc New Com | 4,850 | | 242,257 |
| RF Micro Devices Inc Com | 8,015 | | 58,750 |
| RLI Corp Com | 2,355 | | 65,704 |
| Robert Half Intl Inc Com | 5,950 | | 95,854 |
| Rudolph Technologies Inc Com | 3,800 | | 72,808 |
| Schein Henry Inc Com | 1,760 | | 79,200 |
| Schlumberger Ltd Com Stk | 28,600 | | 1,203,774 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Scios Inc Com | 3,350 | | 109,143 |
| Sears Roebuck & Co Com | 27,400 | | 656,230 |
| Silicon Image Inc Com Stk | 7,200 | | 43,200 |
| Skyworks Solutions Inc Com | 26,300 | | 226,706 |
| Smith Intl Inc Com | 3,025 | | 98,675 |
| SPX Corp Com | 15,000 | | 561,750 |
| St Jude Med Inc Com | 1,460 | | 57,991 |
| Staples Inc Com | 7,790 | | 142,557 |

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McDonald's Corporation Profit Sharing and Savings Plan

(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Corporate Stock Common (continued): | | | |
| Starbucks Corp Com | 26,560 | \$ | \$ 541,293 |
| Starwood Hotels & Resorts Worldwide Inc Cl B | 3,380 | | 80,241 |
| Sungard Data Sys Inc Com | 4,630 | | 109,083 |
| Symantec Corp Com | 2,870 | | 116,264 |
| Target Corp Com | 38,750 | | 1,162,500 |
| Taro Pharmaceutical Inc | 3,200 | | 120,320 |
| Tellabs Inc Com | 18,350 | | 133,404 |
| Teradyne Inc Com | 5,580 | | 72,596 |
| Tier Technologies Inc Cl B | 8,950 | | 143,200 |
| Tiffany & Co Com | 30,580 | | 731,168 |
| Travelers Ppty Cas Corp New Cl A | 100,083 | | 1,466,216 |
| Trimeris Inc Com | 1,560 | | 67,220 |
| TTM Technologies Inc Com | 21,100 | | 69,820 |
| TX Instrs Inc Com | 38,800 | | 582,388 |
| Ultra Pete Corp Com NPV | 18,900 | | 187,110 |
| UN Pac Corp Com | 3,700 | | 221,519 |
| Univision Communications Inc Cl A | 29,960 | | 734,020 |
| Unvl Health Services Inc Cl B Com | 2,130 | | 96,063 |
| Varian Med Sys Inc Com | 1,960 | | 97,216 |
| Verisign Inc Com | 11,520 | | 92,390 |
| Verizon Communications Com | 34,597 | | 1,340,634 |
| Viacom Com Cl B | 33,431 | | 1,362,648 |
| Vialta Inc Com | 115 | | 35 |
| Wal-Mart Stores Inc Com | 27,600 | | 1,394,076 |
| Walgreen Co Com | 16,900 | | 493,311 |
| Watson Pharmaceuticals Inc Com | 2,150 | | 60,780 |

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|------------------|
| Weight Watchers Intl Inc New Com | 1,600 | | 73,552 |
| 24 | | | |

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Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|---|-------------------------------------|------------|------------------|
| Corporate Stock Common (continued): | | | |
| Wellpoint Hlth Networks Inc Cl A | 2,850 | \$ | \$ 202,806 |
| Wells Fargo & Co New Com Stk | 26,500 | | 1,242,055 |
| WestwoodI Inc Com | 8,467 | | 316,327 |
| Weyerhaeuser Co Com | 33,650 | | 1,655,917 |
| Whole Foods Mkt Inc Com | 1,600 | | 84,368 |
| Williams Sonoma Inc Com | 5,210 | | 141,452 |
| Wright Med Group Inc Com | 4,900 | | 85,549 |
| Wyeth Com | 52,400 | | 1,959,760 |
| XL Cap Ltd | 10,200 | | 787,950 |
| Yahoo Inc Com | 6,560 | | 107,256 |
| 3M Co Com | 7,700 | | 949,410 |
| Total Corporate Stock Common | | | 729,509,725 |
| Participant Loans: | | | |
| McDonald's Loan Asset | | | 14,792,474 |
| Total Participant Loans | | | 14,792,474 |
| Value of Interest in Common/Collective Trusts: | | | |
| Coltv Short Term Invt Fund | 32,585,415 | 32,585,415 | 32,585,415 |
| Total Value of Interest in Common/Collective Trusts | | | 32,585,415 |
| Pooled Separate Accounts: | | | |
| GIC Principal SA-4-28950 5.53% | 38,882,902 | | 38,882,902 |
| Total Pooled Separate Accounts | | | 38,882,902 |
| 25 | | | |

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McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

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| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|--------------------|
| Value of Interest in Registered Investment Companies: | | | |
| MFO Artisan Fds Inc Intl Fd Inv Shs | 554,698 | \$ | \$ 8,203,984 |
| MFO Morgan Stanley Instl Fd Intl Eqty | 573,345 | | 8,376,576 |
| MFO Vanguard Instl Ind Wx Fd Sh Ben Int | 581,610 | | 46,790,497 |
| MFO Wellington Tr Coltv Core Bd Plus | 1,284,704 | | 14,144,591 |
| MFO Wellington Tr Coltv Core Eqty | 3,138,011 | | 18,890,825 |
| MFO Wellington Tr Coltv Core Intl | 645,997 | | 4,160,221 |
| MFO Wellington Tr Coltv Small Cap | 563,719 | | 4,227,894 |
| Total Value of Interest in Registered Investment Companies | | | 104,794,588 |
| Value of Funds Held in Insurance Company General Accounts: | | | |
| GIC Pacific Life G-26407 6.49% | 21,246,717 | | 21,246,717 |
| GIC Pacific Mutual G-26378 2.26% | 671,178 | | 671,178 |
| GIC Pacific Mutual G-26379 3.56% | 7,734,903 | | 7,734,903 |
| Total Value of Funds Held in Insurance Company General Accounts | | | 29,652,798 |

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**EIN 36-2361282
Plan #001**

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4i Schedule of Assets (Held at End of Year)(continued)

| Identity of Issuer/ Description of Investment | Number of Shares or Par Value | Cost** | Current Value |
|--|-------------------------------------|--------|-------------------------|
| Other: | | | |
| GIC Allstate IM77049 4.59% | 67,819,795 | \$ | \$ 67,819,795 |
| GIC Bank Of America 01-1000 5.73% | 56,017,733 | | 56,017,733 |
| GIC CDC 1333-01 5.11% | 48,530,256 | | 48,530,256 |
| GIC Pacific Mutual G-26036 5.69% | 92,151,286 | | 92,151,286 |
| GIC State Street Bank CNTCT 102008 | 3,005,398 | | 3,005,398 |
| GIC UBS Ag Cntrct 5107 RATE: 3.618% | 78,974,925 | | 78,974,925 |
| Total Other | | | 346,499,393 |
| Other Liabilities | | | |
| Pending Trade Purchases: United States Dollar | | | (463,503) |
| Total Other Liabilities | | | (463,503) |
| | | | \$ 1,295,850,961 |

*Party in interest.

**Historical cost is disclosed only for nonparticipant-directed investments.

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Plan #001

McDonald's Corporation Profit Sharing and Savings Plan
(formerly known as the McDonald's Corporation Profit Sharing Program)

Schedule H, Line 4j Schedule of Reportable Transactions
(In Thousands)

Year ended December 31, 2002

| Identity of Party Involved | Description of Asset | Purchase Price | Selling Price | Cost of Asset | Current Value of Asset on Transaction Date | Net (Loss) |
|--|------------------------------------|----------------|---------------|---------------|--|------------|
| <u>Category (iii) Series of transactions in excess of 5% of plan assets</u> | | | | | | |
| McDonalds Corp. | McDonalds Corporation Common Stock | \$ 5,507 | \$ 146,602 | \$ 5,507 | \$ 146,602 | \$ 70,071 |
| There were no category (i), (ii), or (iv) reportable transactions during 2002. | | | | | | |

SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

McDONALD'S CORPORATION
PROFIT SHARING AND SAVINGS PLAN

By: ADMINISTRATIVE COMMITTEE

Date: June 26, 2003

By: /s/ CHRISTINE COLE

Christine Cole
Trustee and Member of the Administrative Committee

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McDonald's Corporation Profit Sharing and Savings Plan

McDonald's Corporation Profit Sharing and Savings Plan (formerly known as the McDonald's Corporation Profit Sharing Program) Financial Statements and Supplemental Schedules December 31, 2002 and 2001 and year ended December 31, 2002 Contents

Report of Independent Auditors

Statements of Net Assets Available for Benefits (In Thousands)

Statements of Net Assets Available for Benefits (In Thousands)

Statement of Changes in Net Assets Available for Benefits (In Thousands)

Notes to Financial Statements

SIGNATURE