

# YUM BRANDS INC

## FORM 8-K (Unscheduled Material Events)

Filed 10/12/2000 For Period Ending 9/30/2000

Address	1441 GARDINER LANE LOUISVILLE, Kentucky 40213
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CIK	0001041061
Industry	Restaurants
Sector	Services
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)**

October 11, 2000

**Commission file number 1-13163**

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**TRICON GLOBAL RESTAURANTS, INC.**

(Exact name of registrant as specified in its charter)

North Carolina

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(State or other jurisdiction of  
of incorporation or organization)

13-3951308

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(IRS Employer  
Identification No.)

1441 Gardiner Lane, Louisville, Kentucky  
(Address of principal executive offices)

40213  
(Zip Code)

Registrant's telephone number, including area code: (502) 874-8300

Former name or former address, if changed since last report: N/A

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Item 5. OTHER EVENTS

On October 11, 2000, TRICON Global Restaurants, Inc. issued a press release with respect to earnings for the third quarter ended September 2, 2000. A copy of such press release is attached hereto as Exhibit 99 and incorporated herein by reference.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99 Press release dated October 11, 2000 from TRICON Global Restaurants, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRICON GLOBAL RESTAURANTS, INC.  
(Registrant)

Date: October 12, 2000

/s/ Brent A. Woodford  
Vice President and Controller  
(Principal Accounting Officer)

**TRICON GLOBAL RESTAURANTS REPORTS AN 11 PERCENT INCREASE  
IN ONGOING OPERATING EARNINGS PER SHARE TO \$0.77  
FOR THE THIRD QUARTER**

- » **Strong International System Sales growth continues**
- » **Records an unusual charge for AmeriServe expenses**

LOUISVILLE, KY (OCTOBER 11, 2000) - Tricon Global Restaurants, Inc. (NYSE:YUM) reported third quarter ongoing operating earnings of \$115 million, or \$0.77 per share, an 11 percent increase for the quarter ended September 2, 2000. Year-to-date ongoing operating earnings increased 21 percent to \$2.17 per share. Additionally, Tricon took an unusual charge of \$92 million of which \$87 million related to the AmeriServe bankruptcy. This charge is in-line with previously announced guidance.

**Financial Highlights  
Ongoing Operations**  
(\$MM Except Per Diluted Share Amounts)

	% Change vs.		% Change vs.	
Q3	Prior Year	Q3 YTD	Prior Year	
System Sales	5,225	3	15,165	2
Revenues(a)	1,658	(8)	4,911	(11)
Operating Profit	221	(5)	646	1
Operating Earnings	115	2	324	12
=====				
<b>Operating EPS(b)</b>	<b>.77</b>	<b>11</b>	<b>2.17</b>	<b>21</b>
=====				
Net Facility Actions	.02	(96)	.45	(60)
Unusual items	(.39)	NM	(.71)	NM
Reported EPS (c)	.40	(67)	1.91	(36)

- A. As expected, revenues declined primarily due to Tricon's ongoing program to sell company owned restaurants to its franchise partners. (Refranchising reduces company sales and increases franchise fees.) Excluding the impact of refranchising, revenues were up 2% for the quarter and 1% year-to-date.
- B. Ongoing operating EPS is from operations and does not include the impact of facility actions net gain, unusual items, and last year's accounting changes.
- C. As expected, reported results declined due to the previously announced AmeriServe unusual charge and planned lower refranchising gains versus last year. These reported results include the impact of facility actions net gain, unusual items, and last year's accounting changes.

David C. Novak, Chief Executive Officer said, "We are pleased we were able to exceed our third quarter earnings target with an 11 percent increase - our ninth consecutive quarter of double-digit growth. During the quarter, we experienced continued strength at Pizza Hut and in our international business, and we achieved measured progress at Taco Bell and KFC."

*"Our international business continues to make outstanding progress expanding our system globally, opening over 200 restaurants outside of the U.S. in the quarter. As a result of this accelerated expansion, we now expect to open 800 new international restaurants this year, instead of 700 as previously planned.*

*"Pizza Hut delivered solid results once again this quarter, continuing a three-year trend of same store sales growth. Pizza Hut's leadership in pizza variety, innovation and great taste gives the brand a unique competitive edge and is driving these results.*

*"We achieved better than expected sales results at Taco Bell by refocusing on our value leadership and unique tasting Mexican products. However, we're not satisfied with the current results. Taco Bell's new management team is developing a strategic plan to regain momentum and consistently drive same store sales growth.*

*"For the first time during a quarter, KFC promoted all three categories within the chicken segment on-the-bone, strips and sandwiches - resulting in improved same store sales. KFC's new advertising campaign, launched at the beginning of the fourth quarter, should add new vitality to the brand and broaden our consumer base over time. We remain confident in KFC's long-term strategy.*

*"Based on this positive performance in the third quarter and our balance of year outlook, we are confident of achieving full year ongoing operating EPS of at least \$2.95, which exceeds the \$2.90 floor in previous guidance. This will result in at least 14 percent growth over 1999."*

### **3rd QUARTER GLOBAL RESULTS**

#### **International Business**

Tricon's international business continues to deliver excellent growth with system sales up 7% for the quarter after a negative 3% impact from foreign currency translation. Leading this growth was continued global unit expansion. For the most recent twelve months, 741 new restaurants were opened outside the U.S., including 439 KFCs, 280 Pizza Huts and 22 Taco Bells. For the quarter, major Company markets: Australia, Canada, China, Korea, Mexico, and the U.K. achieved positive same store sales growth. Our business in China was particularly strong with same store sales up 16%. Overall, ongoing international operating profit increased 4% for the quarter on top of 39% growth last year. Strong sales and system unit development more than offset the negative impact of foreign currency translation and increased costs. These costs included start-up costs associated with the acceleration of new unit openings and spending on growth initiatives. Year-to-date ongoing operating profit was up 17%. Our forecast for the fourth quarter and full year continues to reflect high-teens growth in ongoing operating profit. For the year, international system sales are expected to be up about 7%.

#### **U.S. Business**

In the U.S., blended company same store sales were flat for the quarter, which exceeded our previous guidance. Pizza Hut's same store sales grew by over 1% for the quarter. In the fourth quarter, we expect Pizza Hut's same store sales to grow 4% to 6%.

Taco Bell's same store sales were down 2%, which was significantly better than expected. Despite sales improvement in the third quarter and the first four weeks of the fourth quarter, we continue to hold to our prior fourth quarter guidance which is a decline of 5% to 7% in same store sales. The remainder of the fourth quarter, periods 11 through 13, remains a significant challenge as we lap the very successful launch of Chalupas.

KFC's same store sales were slightly positive, which exceeded our expectations. Now that the launch of chicken sandwiches has been completed, KFC is focusing on growth within each of the key categories of the chicken segment. KFC brought product news to its chicken-on-the-bone business by promoting a family value meal during the summer holiday season. This is important for KFC as it dominates this category. In the fastest growing chicken segment - chicken strips - KFC generated sales increases by adding a new flavor with Honey BBQ Strips. Finally, we continue to be encouraged by consumer response to our new line of high quality chicken sandwiches, the third key category. The KFC brand has demonstrated in countries around the world that high quality products, value and innovation will drive long-term success in this key growth category. For the fourth quarter, our expectations are for a 1% to 3% decline in same store sales as KFC laps the launch of its sandwich line last year, with aggressive trial discounting behind the Twister sandwich.

Overall, our expectation for the fourth quarter is unchanged with U.S. blended company same store sales flat to down 1.5%.

#### **Global Expansion**

Tricon continued to make progress in its global expansion, with 354 new system restaurant openings for the quarter and 1,300 over the past year. Both the Company and our franchise partners continue to increase the number of new restaurant openings. This global growth has been fueled by significant openings in China, Japan, Korea, Mexico, the U.K. and the U.S. We now have almost 5,800 KFC restaurants and over 4,000 Pizza Hut restaurants outside the U.S. in the Tricon system. In the U.S., multibranding growth is accelerating and we anticipate having about 1,000 multibranded restaurants in our worldwide system by year-end.

#### **Franchise Fee Growth**

Global franchise fees again showed strong growth: up 9% for the quarter to \$188 million, driven by the acquisition of over 700 Company restaurants by franchisees during the past year and the opening of over 850 new franchise restaurants around the world over the past year. Another positive factor impacting franchise fees was same store sales growth experienced by KFC's U.S. franchise partners. Year to date, global franchise fees increased 10% to \$536 million. For the full year, we expect franchise fee growth of about 11% to roughly \$800 million from our three brands worldwide.

### **Operating and Financial Progress**

Ongoing operating EPS increased by 11% in the quarter and 21% year to date. We believe this measure best reflects our operating progress and includes all the ongoing effects of refranchising.

While International ongoing operating profit was up 4%, the effect of refranchising company restaurants in the U.S. and lower U.S. restaurant margin resulted in a 5% decline in ongoing operating profit for the quarter. Year-to-date ongoing operating profit increased by 1%.

Tricon continued to make progress executing its financial strategies, refranchising 48 restaurants in the quarter for a year-to-date total of 479 restaurants generating cash proceeds of about \$160 million net of tax and working capital impacts.

Dave Deno, Chief Financial Officer, said, *"We are pleased with the continued execution of our financial strategies, and are ensuring our cash is invested in high return opportunities. Consequently, we have increased the full year forecast for our refranchising program to a range of 600 to 700 units, delivering up to \$225 million in net cash proceeds. We expect our return on invested capital to improve again this year. For 2000, our returns should exceed 18%, which we believe is the highest in the QSR industry. Finally, we continue to realize savings by reducing our ongoing general and administrative expenses, which were down \$6 million for the quarter and over \$65 million year to date. For the fourth quarter, we expect these costs to be about flat."*

*"Importantly, the AmeriServe situation is being resolved in a very positive manner for Tricon. We expect the proposed acquisition of AmeriServe by McLane Company Inc. (a subsidiary of Wal-Mart Stores, Inc.) to close sometime during the fourth quarter and we look forward to a strong long-term relationship with McLane."*

### **AmeriServe**

As previously disclosed, Tricon has been advancing funds to AmeriServe, our principal distribution company in the U.S., during its bankruptcy proceedings under a debtor-in-possession credit facility. In connection with the AmeriServe credit facility and other costs and obligations related to the AmeriServe bankruptcy (including the collateral guarantee obligations to secured lenders of AmeriServe), Tricon has recorded an \$87 million unusual charge in the third quarter. We will continue to monitor the situation as the transaction closes in the fourth quarter, but based on the best information currently available, we expect to be within our previous guidance of the total exposure related to the AmeriServe bankruptcy.

### **Ongoing Results\***

- Before the impact of refranchising and other portfolio actions, ongoing operating profit was flat for the quarter. Ongoing operating profit was down 5% for the quarter as our refranchising efforts negatively impacted results, as we continue to sell company restaurants to our franchise partners. Within reported operating profit, restaurant profit decreased as we sold restaurants. This was partially offset by higher franchise fees and lower general and administrative expenses. Additionally, refranchising proceeds reduced debt and lowered the year-over-year interest expense included in operating earnings.
- Global system sales of over \$5.2 billion were up 3%, driven by the opening of new restaurants. Year-to-date system sales grew 2% to nearly \$15.2 billion.
  - U.S. system sales increased 1% for the quarter and were down 1% year-to-date.
  - International system sales increased 7% for the quarter and 8% year-to-date. Foreign currency translation reduced international system sales growth by 3% for the quarter and 1% year to date.
- Revenues were boosted by adding 1,300 traditional new system restaurants over the past year. However, the impact of refranchising over 700 company restaurants resulted in a decline in reported global company revenues. Refranchising is expected to continue to drive revenues lower in the fourth quarter of 2000 (and into 2001 when we expect to substantially complete our refranchising program).
  - U.S. revenues declined 12% in the quarter and 14% year-to-date.
  - International revenues were flat for the quarter and decreased 2% year-to-date.
  - Global franchise and license fees increased 9% for the quarter driven by the acquisition of over 700 company restaurants by franchisees over the past year and the opening of over 850 new franchise restaurants partially offset by restaurant closures. This increase was driven by over 12% growth in International franchise fees, after about 5% of unfavorable foreign currency translation impact. Year-to-date global franchise and license fees increased by 10%.
- Company restaurant level margins as a percent of sales decreased 50 basis points in the quarter. Portfolio actions benefited margins by 80 basis points while base company restaurant level margins were down almost 130 basis points. This was driven primarily by U.S.

performance including occupancy and other cost increases and labor rate increases offset by favorable commodity costs, primarily cheese.

- Year-to-date company restaurant level margins as a percent of sales decreased by 40 basis points. Portfolio actions benefited margins by about 70 basis points while base company restaurant level margins were down 110 basis points. This was driven by U.S. performance including the impact of lapping the favorable self-insurance adjustments in 1999, increased occupancy and other cost, the impact of sales deleverage, and labor rate increases offset by favorable commodity costs, primarily cheese. For the full year, our ongoing restaurant level margin is expected to be slightly below 15%.
- General and administrative expenses declined 3% in the quarter. The reduction in spending on Y2K, savings from Tricon's refranchising actions and lower incentive and stock based compensation drove the decline. For the quarter, International G&A was up 4%, net of 4% benefit from foreign currency translation, as we increased our investments in growth initiatives. Year-to-date G&A decreased 10%, which is more than our expectations coming into the fiscal year.
- Net interest expense declined 10% for the quarter. This was primarily due to free cash flow generated from refranchising over the past 12 months, which was used to reduce debt. Year-to-date net interest expense decreased 17%.
- The effective tax rate on ongoing operating profit for the quarter was 37.0%. This compares to a 40.5% rate last year. Year-to-date the rate is 38.3%, in-line with our full year targeted range of 38% to 39%. The tax rate on reported earnings was 36.2%, and 39.7%, for the quarter and year to date, respectively.
- During the quarter, cash from operations and refranchising was used to reduce net debt by over \$120 million. Since year-end 1999, net debt decreased by about \$45 million.
- Depreciation and amortization was \$82 million for the quarter and \$245 million year to date.
- Capital spending was \$127 million for the quarter and \$313 million year to date. We expect capital spending will approximate \$600 million for the full year.

#### U.S. Blended Same Store Sales

Quarter 1	Quarter 2	Quarter 3	Quarter 4 Forecast	Full Year Forecast
-2%	-3%	Flat	Flat to -1.5%	Down 1% to 2%

**Note:** Quarter 4 and Full Year represent our forecast.

\*These results should be read in conjunction with the attached financial summary.

#### Financial Summary

#### Third Quarter 2000 (MMs Except Per Share Amounts)

	Quarter		% Change B/(W)	Year-To-Date		% Change B/(W)
	2000	1999		2000	1999	
System sales(a)	\$ 5,225	\$ 5,086	3	\$ 15,165	\$ 14,894	2
Company revenues(b)	\$ 1,658	\$ 1,812	(8)	\$ 4,911	\$ 5,511	(11)
Ongoing operating profit(c)	\$ 221	\$ 231	(5)	\$ 646	\$ 637	1
Interest expense	39	42	10	121	145	17
Income tax provision	67	77	12	201	202	-
Ongoing operating earnings(c)	\$ 115	\$ 112	2	\$ 324	\$ 290	12
Earnings per diluted share components:						
Ongoing operating earnings	\$ 0.77	\$ 0.70	11	\$ 2.17	\$ 1.80	21



benefits	395	447	12	12	1,212	1,391	13	13
Occupancy and other operating expenses	393	419	6	6	1,153	1,268	9	9
	-----	-----			-----	-----		
	1,243	1,379	10	10	3,710	4,234	12	13
General and administrative expenses(c)	200	202	1	3	576	630	9	10
Other (income) expense(d)	(6)	(5)	13	13	(21)	(11)	85	85
Facility actions net gain(e)	(3)	(144)	(98)	(98)	(116)	(311)	(63)	(63)
Unusual items(f)	92	3	NM	NM	168	7	NM	NM
	-----	-----			-----	-----		
Total costs and expenses, net(c)(g)	1,526	1,435	(6)	(6)	4,317	4,549	5	6
	-----	-----			-----	-----		
Operating profit	132	377	(65)	(65)	594	962	(38)	(37)
Interest expense, net	39	42	10	10	121	145	17	17
	-----	-----			-----	-----		
Income before income taxes	93	335	(72)	(72)	473	817	(42)	(41)
Income tax provision(h)	34	138	76	75	188	335	44	42
	-----	-----			-----	-----		
Net income	\$ 59	\$ 197	(70)	(69)	\$ 285	\$ 482	(41)	(39)
	=====	=====			=====	=====		
<u>Basic EPS Data</u>								
EPS	\$ 0.41	\$ 1.28	(68)	(68)	\$ 1.94	\$ 3.14	(38)	(37)
	=====	=====			=====	=====		
Average shares outstanding	146	154	5	5	147	154	4	4
	=====	=====			=====	=====		
<u>Diluted EPS Data</u>								
EPS	\$ 0.40	\$ 1.23	(67)	(67)	\$ 1.91	\$ 2.99	(36)	(34)
	=====	=====			=====	=====		
Average shares outstanding	147	160	8	8	149	161	7	7
	=====	=====			=====	=====		

See accompanying notes.

**TRICON Global Restaurants, Inc.**  
**Supplemental Schedule of Reportable Operating Segments'**  
**Revenues and Operating Profit**  
(in millions)  
(unaudited)

	12 Weeks Ended		% Change B/(W) (a)	36 Weeks Ended		% Change B/(W) (a)
	9/02/00	9/04/99		9/02/00	9/04/99	
<b>System Sales</b>						
United States	\$ 3,441	\$ 3,419	1	\$ 9,917	\$ 10,028	(1)
International	1,784	1,667	7	5,248	4,866	8
	-----	-----		-----	-----	
Worldwide	\$ 5,225	\$ 5,086	3	\$ 15,165	\$ 14,894	2
	=====	=====		=====	=====	
<b>Revenues</b>						
United States						
Company sales	\$ 1,039	\$ 1,199	(13)	\$ 3,140	\$ 3,745	(16)
Franchise and license fees	127	119	7	361	334	8
	-----	-----		-----	-----	
Total United States	1,166	1,318	(12)	3,501	4,079	(14)
	-----	-----		-----	-----	
International						
Company sales	431	440	(2)	1,235	1,279	(3)

Franchise and license fees	61	54	12	175	153	14
Total International	492	494	-	1,410	1,432	(2)
Worldwide	\$ 1,658	\$ 1,812	(8)	\$ 4,911	\$ 5,511	(11)

	12 Weeks Ended		% Change B/(W)	% Proforma Change B/(W)	36 Weeks Ended		% Change B/(W)	Pr C
	9/02/00	9/04/99	(a)	(a)(b)	9/02/00	9/04/99	(a)	(
<b>Restaurant Margin</b>								
United States(c)(g)	\$ 162	\$ 193	(16)	(16)	\$ 478	\$ 605	(21)	
International(c)	65	67	(2)	(3)	187	185	1	
Worldwide	\$ 227	\$ 260	(13)	(13)	\$ 665	\$ 790	(16)	

**Restaurant Margin As A Percent Of Company Sales**

United States(c)(g)	15.5%	16.1%	(0.6)ppts.	(0.6)ppts.	15.2%	16.2%	(1.0)ppts.	(0.
International(c)	15.2%	15.3%	(0.1)ppts.	(0.3)ppts.	15.2%	14.5%	0.7 ppts.	0.
Worldwide	15.4%	15.9%	(0.5)ppts.	(0.5)ppts.	15.2%	15.7%	(0.5)ppts.	(0.

**Operating Profit**

United States ongoing operating profit(g)	\$ 191	\$ 207	(8)	\$ 537	\$ 586	(8)
International ongoing operating profit	76	73	4	219	187	17
Ongoing unallocated and corporate expenses	(45)	(50)	8	(110)	(134)	17
Foreign exchange gain (loss)	(1)	1	NM	-	(2)	NM
Worldwide ongoing operating profit	221	231	(5)	646	637	1
Accounting changes(c)	-	5	NM	-	21	NM
Facility actions net gain(e)	3	144	(98)	116	311	(63)
Unusual items(f)	(92)	(3)	NM	(168)	(7)	NM
Reported operating profit(c)(g)	\$ 132	\$ 377	(65)	\$ 594	\$ 962	(38)

See accompanying notes.

**NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF INCOME AND SUPPLEMENTAL SCHEDULE OF REPORTABLE OPERATING SEGMENTS' REVENUES AND OPERATING PROFIT:**

(tabular dollar amounts in millions, except per share amounts)

- Percentages may not recompute due to rounding.
- Pro Forma % B/(W) excludes the effects of the accounting and human resource policy changes described in Note (c).
- As more fully described in our 1999 Form 10-K, our 1999 operating results included accounting and human resource policy changes of approximately \$5 million (\$3 million after-tax or \$0.02 per diluted share) in the quarter and \$21 million (\$13 million after-tax or \$0.08 per diluted share) year-to-date. The estimated impact of these accounting changes are summarized below:

	12 Weeks Ended 9/04/99			36 Weeks Ended 9/04/99		
	Restaurant Margin	G&A	Total	Restaurant Margin	G&A	Total
U.S.	\$ -	\$ -	\$ -	\$ 8	\$ 4	\$ 12
International	-	1	1	-	(1)	(1)
Unallocated	-	4	4	-	10	10
<b>Total</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 8</b>	<b>\$ 13</b>	<b>\$ 21</b>

D. Other (income) expense included the following:

	12 Weeks Ended		36 Weeks Ended	
	9/02/00	9/04/99	9/02/00	9/04/99
Equity income from investments in unconsolidated affiliates	\$ (7)	\$ (4)	\$ (21)	\$ (13)
Foreign exchange net (gain) loss	1	(1)	-	2
<b>Total other (income) expense</b>	<b>\$ (6)</b>	<b>\$ (5)</b>	<b>\$ (21)</b>	<b>\$ (11)</b>

E. Facility actions net gain included the following:

	12 Weeks Ended		36 Weeks Ended	
	9/02/00	9/04/99	9/02/00	9/04/99
Refranchising net gains	\$ 5	\$ 154	\$ 126	\$ 332
Store closure net costs	(1)	(2)	(4)	(2)
Impairment charges for stores that will continue to be used in the business	-	(3)	(4)	(10)
Impairment charges for stores to be closed	(1)	(5)	(2)	(9)
	<b>\$ 3</b>	<b>\$ 144</b>	<b>\$ 116</b>	<b>\$ 311</b>
U.S.	\$ 10	\$ 144	\$ 122	\$ 306
International	(7)	-	(6)	5
<b>Total</b>	<b>\$ 3</b>	<b>\$ 144</b>	<b>\$ 116</b>	<b>\$ 311</b>
After-tax net gain	\$ 3	\$ 84	\$ 68	\$ 183
Per diluted share	\$ 0.02	\$ 0.52	\$ 0.45	\$ 1.14

F. Unusual items of \$92 million (\$57 million after-tax or \$0.39 per diluted share) in the quarter and \$168 million (\$106 million after-tax or \$0.71 per diluted share) year-to-date 2000 primarily included:

- o Charges for the uncollectibility of the debtor-in-possession receivable from AmeriServe and our exposure under the Replacement Lien (as discussed in our second quarter 2000 Form 10-Q).
- o Direct incremental costs incurred by TRICON as a result of AmeriServe's bankruptcy filing.
- o Additional costs of defending certain wage and hour litigation.
- o Expenses related to the formation of a new joint venture in Canada (as discussed in our second quarter 2000 Form 10-Q).

Unusual items of \$3 million (\$3 million after-tax or \$0.01 per diluted share) in the quarter and \$7 million (\$5 million after-tax or \$0.03

per diluted share) year-to-date 1999 primarily included:

- Additional costs of defending certain wage and hour litigation.
- Severance and other exit costs related to strategic decisions to streamline the infrastructure of our international business.
- Write-off of enterprise-level goodwill in one of our international businesses.

- G. We receive semi-annual valuations on our casualty loss reserves from an independent actuary. Based on these valuations, we record adjustments to our casualty loss reserves. Year-to-date 2000 restaurant margin and operating profit included less than \$0.5 million of unfavorable adjustments. Year-to-date 1999 restaurant margin and operating profit included favorable adjustments of approximately \$21 million. These adjustments principally related to our prior year casualty loss reserves. We did not record any adjustments in the third quarter of 2000 or the third quarter of 1999 since the second semi-annual valuation was received in the fourth quarter of 1999 and the second 2000 valuation is expected to be received in the fourth quarter of 2000.
- H. The effective tax rates were 36.2% and 41.1% for the 12 weeks ended September 2, 2000 and September 4, 1999, respectively. The effective tax rates were 39.7% and 41.0% for the 36 weeks ended September 2, 2000 and September 4, 1999, respectively.

**TRICON Global Restaurants, Inc.**  
**Restaurant Units Activity Summary**  
**For the 36 Weeks Ended September 2, 2000**  
**(unaudited)**

	Company	Unconsolidated Affiliates	Franchisees	Licensees	Total
<b>KFC U.S.</b>					
Balance at December 25, 1999	1,439	-	3,743	49	5,231
Openings and acquisitions	35	-	81	-	116
Refranchising and licensing	(103)	-	103	-	-
Closures	(21)	-	(28)	(5)	(54)
Balance at September 2, 2000	1,350	-	3,899	44	5,293
% of Total	25.5%	-	73.7%	0.8%	100.0%
<b>Pizza Hut U.S.</b>					
Balance at December 25, 1999	2,355	-	4,446	1,283	8,084
Openings and acquisitions	17	-	78	132	227
Refranchising and licensing	(277)	-	277	-	-
Closures	(58)	-	(119)	(113)	(290)
Balance at September 2, 2000	2,037	-	4,682	1,302	8,021
% of Total	25.4%	-	58.4%	16.2%	100.0%
<b>Taco Bell U.S.</b>					
Balance at December 25, 1999	1,190	-	3,921	1,768	6,879
Openings	14	-	71	63	148
Refranchising and licensing	(27)	-	32	(5)	-
Closures	(17)	-	(43)	(177)	(237)
Balance at September 2, 2000	1,160	-	3,981	1,649	6,790
% of Total	17.1%	-	58.6%	24.3%	100.0%
<b>Total U.S.</b>					
Balance at December 25, 1999	4,984	-	12,110	3,100	20,194
Openings and acquisitions	66	-	230	195	491
Refranchising and licensing	(407)	-	412	(5)	-
Closures	(96)	-	(190)	(295)	(581)
Balance at September 2, 2000	4,547	-	12,562	2,995	20,104
% of Total	22.6%	-	62.5%	14.9%	100.0%
<b>International</b>					

Balance at December 25, 1999	1,997	1,178	6,304	309	9,788
Openings and acquisitions	104	54	333	17	508
Refranchising and licensing	(72)	2	70	-	-
Closures	(36)	(23)	(132)	(20)	(211)
Other(a)	(263)	616	(353)	-	-
	-----	-----	-----	-----	-----
Balance at September 2, 2000	1,730	1,827	6,222	306	10,085
	=====	=====	=====	=====	=====
% of Total	17.2%	18.1%	61.7%	3.0%	100.0%
<b>Worldwide</b>					
Balance at December 25, 1999	6,981	1,178	18,414	3,409	29,982
Openings and acquisitions	170	54	563	212	999
Refranchising and licensing	(479)	2	482	(5)	-
Closures	(132)	(23)	(322)	(315)	(792)
Other(a)	(263)	616	(353)	-	-
	-----	-----	-----	-----	-----
Balance at September 2, 2000	6,277(b)	1,827	18,784	3,301	30,189
	=====	=====	=====	=====	=====
% of Total	20.8%	6.1%	62.2%	10.9%	100.0%

- A. Includes 320 Company units and 329 Franchisee units contributed in connection with the formation of a new Joint Venture in Canada as well as 57 units acquired by the Company from Unconsolidated Affiliates and Franchisees.
- B. Includes 24 Company units approved for closure but not yet closed at September 2, 2000.

**End of Filing**

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