

YUM BRANDS INC

FORM 10-Q (Quarterly Report)

Filed 5/2/2000 For Period Ending 3/18/2000

Address	1441 GARDINER LANE LOUISVILLE, Kentucky 40213
Telephone	502-874-8300
CIK	0001041061
Industry	Restaurants
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 18, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-13163

TRICON GLOBAL RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of
incorporation or organization)

13-3951308

(I.R.S. Employer
Identification No.)

1441 Gardiner Lane, Louisville, Kentucky 40213
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

The number of shares outstanding of the Registrant's Common Stock as of April 25, 2000 was 147,439,694 shares.

TRICON GLOBAL RESTAURANTS, INC.

INDEX

	Page No. -----
Part I. Financial Information	
Condensed Consolidated Statement of Income - 12 weeks ended March 18, 2000 and March 20, 1999	3
Condensed Consolidated Statement of Cash Flows - 12 weeks ended March 18, 2000 and March 20, 1999	4
Condensed Consolidated Balance Sheet - March 18, 2000 and December 25, 1999	5
Notes to Condensed Consolidated Financial Statements	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Independent Accountants' Review Report	32
Part II. Other Information and Signatures	33

PART I - FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF INCOME TRICON GLOBAL RESTAURANTS, INC. AND SUBSIDIARIES
(in millions, except per share data - unaudited)

	12 Weeks Ended	
	3/18/00	3/20/99
	-----	-----
Revenues		
Company sales	\$ 1,425	\$ 1,662
Franchise and license fees	172	151
	-----	-----
	1,597	1,813
	-----	-----
Costs and Expenses, net		
Company restaurants		
Food and paper	441	528
Payroll and employee benefits	410	463
Occupancy and other operating expenses	373	412
	-----	-----
	1,224	1,403
General and administrative expenses	181	213
Other (income) expense	(7)	(5)
Facility actions net gain	(47)	(34)
Unusual items	4	-
	-----	-----
Total costs and expenses, net	1,355	1,577
	-----	-----
Operating Profit	242	236
Interest expense, net	41	52
	-----	-----
Income Before Income Taxes	201	184
Income Tax Provision	81	78
	-----	-----
Net Income	\$ 120	\$ 106
	=====	=====
Basic Earnings Per Common Share	\$ 0.81	\$ 0.69
	=====	=====
Diluted Earnings Per Common Share	\$ 0.80	\$ 0.66
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS TRICON GLOBAL RESTAURANTS, INC. AND SUBSIDIARIES
(in millions - unaudited)

	12 Weeks Ended	
	3/18/00	3/20/99
Cash Flows - Operating Activities		
Net Income	\$ 120	\$ 106
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	82	95
Facility actions net gain	(47)	(34)
Other liabilities and deferred credits	(36)	13
Deferred income taxes	(14)	(21)
Other non-cash charges and credits, net	18	33
Changes in operating working capital, excluding effects of acquisitions and dispositions:		
Accounts and notes receivable	(194)	(24)
Inventories	(75)	5
Prepaid expenses and other current assets	(16)	(14)
Accounts payable and other current liabilities	77	(213)
Income taxes payable	67	78
Net change in operating working capital	(141)	(168)
Net Cash (Used In) Provided by Operating Activities	(18)	24
Cash Flows - Investing Activities		
Capital spending	(68)	(66)
Refranchising of restaurants	83	121
Acquisition of restaurants	-	(6)
Sales of property, plant and equipment	6	3
AmeriServe debtor-in-possession revolving credit facility	(31)	-
Short-term investments	(75)	(16)
Other, net	(15)	6
Net Cash (Used In) Provided by Investing Activities	(100)	42
Cash Flows - Financing Activities		
Revolving Credit Facility activity, by original maturity		
Three months or less, net	200	(80)
Proceeds from long-term debt	1	1
Payments of long-term debt	(36)	(13)
Short-term borrowings-three months or less, net	90	9
Repurchase shares of common stock	(138)	-
Other, net	14	6
Net Cash Provided by (Used In) Financing Activities	131	(77)
Net Increase (Decrease) in Cash and Cash Equivalents	13	(11)
Cash and Cash Equivalents - Beginning of Period	89	121
Cash and Cash Equivalents - End of Period	\$ 102	\$ 110
Supplemental Cash Flow Information		
Interest paid	\$ 32	\$ 47
Income taxes paid	23	22
Significant Non-Cash Investing and Financing Activities:		
Issuance of promissory note to acquire temporary control of an unconsolidated affiliate	\$ 25	\$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEET
TRICON GLOBAL RESTAURANTS, INC. AND SUBSIDIARIES

(in millions)

	3/18/00	12/25/99
	-----	-----
	(unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 102	\$ 89
Short-term investments, at cost	122	48
Accounts and notes receivable, less allowance: \$15 in 2000 and \$13 in 1999	386	161
Inventories	137	61
Prepaid expenses and other current assets	83	68
Deferred income taxes	59	59
	-----	-----
Total Current Assets	889	486
Property, Plant and Equipment, net	2,528	2,531
Intangible Assets, net	495	527
Investments in Unconsolidated Affiliates	192	170
Other Assets	268	247
	-----	-----
Total Assets	\$ 4,372	\$ 3,961
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,127	\$ 1,085
Income taxes payable	163	96
Short-term borrowings	205	117
	-----	-----
Total Current Liabilities	1,495	1,298
Long-term Debt	2,583	2,391
Other Liabilities and Deferred Credits	815	825
Deferred Income Taxes	7	7
	-----	-----
Total Liabilities	4,900	4,521
	-----	-----
Shareholders' Deficit		
Preferred stock, no par value, 250 shares authorized; no shares issued	-	-
Common stock, no par value, 750 shares authorized; 148 and 151 shares issued in 2000 and 1999, respectively	1,176	1,264
Accumulated deficit	(1,570)	(1,691)
Accumulated other comprehensive income	(134)	(133)
	-----	-----
Total Shareholders' Deficit	(528)	(560)
	-----	-----
Total Liabilities and Shareholders' Deficit	\$ 4,372	\$ 3,961
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts in millions, except per share data)
(Unaudited)

1. Financial Statement Presentation

We have prepared our accompanying unaudited Condensed Consolidated Financial Statements ("Financial Statements") in accordance with the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, we suggest that the accompanying Financial Statements be read in conjunction with the Consolidated Financial Statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended December 25, 1999 ("1999 Form 10-K"). Except as disclosed herein, there has been no material change in the information disclosed in the notes to our Consolidated Financial Statements included in the 1999 Form 10-K.

Our Financial Statements include TRICON Global Restaurants, Inc. and its wholly owned subsidiaries (collectively referred to as "TRICON" or the "Company"). The Financial Statements include our worldwide operations of KFC, Pizza Hut and Taco Bell. References to TRICON throughout these notes to Financial Statements are made using the first person notations of "we" or "us."

Our preparation of the Financial Statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Financial Statements and our reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates.

In our opinion, the accompanying unaudited Financial Statements include all adjustments considered necessary to present fairly, when read in conjunction with our 1999 Form 10-K, our financial position as of March 18, 2000, and the results of our operations and cash flows for the 12 weeks ended March 18, 2000 and March 20, 1999. Our results of operations for these interim periods are not necessarily indicative of the results to be expected for the full year.

2. Earnings Per Common Share ("EPS")

	12 Weeks Ended	
	3/18/00	3/20/99
Net income	\$ 120	\$ 106
Basic EPS:		
Weighted-average common shares outstanding	149	153
Basic EPS	\$ 0.81	\$ 0.69
Diluted EPS:		
Weighted-average common shares outstanding	149	153
Shares assumed issued on exercise of dilutive share equivalents	18	26
Shares assumed purchased with proceeds of dilutive share equivalents	(16)	(18)
Shares applicable to diluted earnings	151	161
Diluted EPS	\$ 0.80	\$ 0.66

Unexercised employee stock options to purchase 9.8 million shares of our Common Stock for the 12 weeks ended March 18, 2000, were not included in the computation of diluted EPS because their exercise prices were greater than the average market price of our Common Stock during the quarter.

3. Items Affecting Comparability of Net Income

Impact of 1999 Accounting Changes

As more fully described in our 1999 Form 10-K, we adopted in 1999 several accounting and human resource policy changes (collectively, the "accounting changes"). These changes impacted our operating results as follows:

	12 Weeks Ended 3/20/99
Restaurant margin	\$ 6
General and administrative expenses	4
Operating Profit	\$ 10
United States	\$ 9
International	(1)
Unallocated	2
Total	\$ 10
After-tax	\$ 6
Per diluted share	\$ 0.04
Facility Actions Net Gain	

Facility actions net gain consists of three components:

- o Gains and losses on sales of our restaurants to new and existing franchisees,
- o Costs of closing our underperforming stores and
- o Impairment charges for restaurants we intend to close beyond the quarter in which the closure decision is made.

	12 Weeks Ended	
	3/18/00	3/20/99
Refranchising net gains(a)	\$ 47	\$ 37
Store closure net credits (costs)	1	(1)
Impairment charges for stores to be closed	(1)	(2)
Facility actions net gain	\$ 47	\$ 34
United States	\$ 43	\$ 33
International	4	1
	\$ 47	\$ 34

(a) Includes initial franchise fees of \$5 million and \$7 million for the 12 weeks ended March 18, 2000 and March 20, 1999, respectively.

The following table summarizes Company sales and restaurant margin for the first quarter related to stores held for disposal at March 18, 2000 or disposed of during 2000 and 1999. Restaurant margin represents company sales less the cost of food and paper, payroll and employee benefits and occupancy and other operating expenses.

	12 Weeks Ended	
	3/18/00	3/20/99
Stores held for disposal at March 18, 2000 or disposed of during 2000:		
Sales	\$ 24	\$ 47
Restaurant Margin	2	6
Stores disposed of during all of 1999:		
Sales	\$ -	\$ 256
Restaurant Margin	-	28

The loss of restaurant margin from the disposal of these stores was largely mitigated in income before income taxes by the increased franchise fees from stores refranchised, lower field general and administrative expenses and reduced interest costs primarily resulting from the reduction of debt by the after-tax cash proceeds from our refranchising activities. The restaurant margin reported above included the benefit from the suspension of depreciation and amortization on assets held for disposal of an insignificant amount in the first quarter of 2000 and \$3 million (\$2 million in the U.S. and \$1 million in International) in the first quarter of 1999.

Unusual Items

Unusual items of \$4 million (\$2 million after-tax) for the first quarter of 2000 primarily included the following: (1) direct incremental costs incurred by TRICON as a result of AmeriServe Food Distribution, Inc.'s ("AmeriServe") bankruptcy filing and (2) additional costs of defending the wage and hour litigation. These items are more fully described in Note 8.

4. New Accounting Pronouncement Not Yet Adopted

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset the related change in fair value on the hedged item in the consolidated statement of income, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

In June 1999, the FASB amended SFAS 133 to extend the required adoption date from fiscal years beginning after June 15, 1999 to fiscal years beginning after June 15, 2000. The amendment was in response to issues identified by FASB constituents regarding implementation difficulties. A company may implement SFAS 133 as of the beginning of any fiscal quarter after issuance, (that is, fiscal quarters beginning June 16, 1998 and thereafter). SFAS 133 cannot be applied retroactively. When adopted, SFAS 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1998 (and, at the company's election, before January 1, 1999).

We have not yet quantified the effects of adopting SFAS 133 on our financial statements or determined the timing or method of our adoption of SFAS 133. However, the adoption of SFAS 133 could increase volatility in our earnings and other comprehensive income.

5. Debt

Our primary bank credit agreement, as amended in February 2000, is comprised of a senior, unsecured Term Loan Facility and a \$3 billion senior unsecured Revolving Credit Facility (collectively referred to as the "Credit Facilities") which mature on October 2, 2002. Amounts outstanding under our Revolving Credit Facility are expected to fluctuate from time to time, but reductions in our Term Loan Facility cannot be reborrowed. During the 12 weeks ended March 18, 2000, we had net borrowings under our Credit Facilities of over \$160 million. The increase was due in part to incremental borrowings of approximately \$195 million to finance certain programs associated with the AmeriServe bankruptcy. The increase was also due to our current share repurchase program, which is more fully discussed in Note 9. Our borrowing needs were reduced by the payments we withheld related to the Pre-petition Payables to AmeriServe totaling \$100 million. See Note 8 for a discussion of the AmeriServe bankruptcy. We reduced our amount outstanding under the Term Loan Facility at March 18, 2000 to \$742 million from \$774 million at December 25, 1999. Our amount outstanding under the Revolving Credit Facility at March 18, 2000 increased to \$1.15 billion from \$955 million at December 25, 1999. In addition, we had unused Revolving Credit Facility borrowings available aggregating \$1.7 billion, net of outstanding letters of credit of \$182 million. At March 18, 2000, the weighted average interest rate on our variable rate debt was 6.5%, which included the effects of the associated interest rate swaps.

The remaining change in total debt was primarily due to an increase in short-term International borrowings, which were repaid early in the second quarter of 2000, and the issuance of a short-term promissory note to acquire temporary control of an unconsolidated affiliate.

On February 25, 2000, we entered into an agreement to amend certain terms of our Credit Facilities. This amendment gives us additional flexibility with respect to permitted liens, restricted payments, other permitted investments and transferring certain assets to certain foreign subsidiaries. We deferred the Credit Facilities amendment costs of approximately \$2 million. These costs will be amortized into interest expense over the remaining life of the Credit Facilities.

Interest expense on the short-term borrowings and long-term debt was \$45 million and \$56 million for the 12 weeks ended March 18, 2000 and March 20, 1999, respectively.

6. Comprehensive Income

Our comprehensive income was as follows:

	12 Weeks Ended	
	3/18/00	3/20/99
Net income	\$ 120	\$ 106
Currency translation adjustment	(1)	5
Total comprehensive income	\$ 119	\$ 111

7. Reportable Business Segments

		Revenues	
		12 Weeks Ended	
		3/18/00	3/20/99
United States	\$	1,162	\$ 1,366
International		435	447
	\$	1,597	\$ 1,813
=====			
		Operating Profit; Interest Expense, Net; And Income Before Income Taxes	
		12 Weeks Ended	
		3/18/00	3/20/99
United States	\$	156	\$ 184
International		75	55
Unallocated and corporate expenses		(32)	(36)
Foreign exchange net loss		-	(1)
Facility actions net gain		47	34
Unusual items		(4)	-
Total Operating Profit		242	236
Interest expense, net		41	52
Income Before Income Taxes	\$	201	\$ 184
=====			
		Identifiable Assets	
		3/18/00	12/25/99
United States	\$	2,434	\$ 2,478
International		1,495	1,367
Corporate(a)		443	116
	\$	4,372	\$ 3,961
=====			
		Long-Lived Assets(b)	
		3/18/00	12/25/99
United States	\$	2,108	\$ 2,143
International		874	874
Corporate		41	41
	\$	3,023	\$ 3,058
=====			

(a) In addition to the assets discussed in our 1999 Form 10-K, identifiable assets also include the receivables and inventory arising from our Temporary Direct Purchase Program and the "debtor-in-possession" revolving credit facility associated with the AmeriServe bankruptcy, as more fully discussed in Note 8.

(b) Includes Property, Plant and Equipment, net and, Intangible Assets, net.

Impact of AmeriServe Bankruptcy

AmeriServe filed for protection under Chapter 11 of the U.S. Bankruptcy Code on January 31, 2000. AmeriServe has advised us that it intends to prepare and file with the Bankruptcy Court a plan of reorganization in the future.

TRICON, the purchasing cooperative for the TRICON system and key representatives of the TRICON franchise community are working closely together to proactively address the bankruptcy situation and develop appropriate contingency plans. We continue to take all actions reasonably necessary and prudent to ensure continued supply of restaurant products and equipment ("supplies") to the TRICON system, and to minimize any incremental costs or exposures related to the AmeriServe bankruptcy. The significant actions that we have taken to date are described below.

On February 2, 2000, we and another major AmeriServe customer agreed to provide a \$150 million interim debtor-in-possession ("DIP") revolving credit facility (the "DIP Facility") to AmeriServe. We initially committed to provide up to \$100 million under this DIP Facility. However, we have reached an agreement in principle to assign \$30 million of our commitment to a third party, which will reduce our total commitment under the DIP Facility to \$70 million. AmeriServe has advised us that it is seeking to arrange alternative DIP financing to replace the DIP Facility. At March 18, 2000, we had advanced \$31 million to AmeriServe under the DIP Facility.

In addition to our participation in the DIP Facility, to help ensure that our supply chain continues to remain open, we have begun to purchase (and take title to) supplies directly from suppliers (the "Temporary Direct Purchase Program") for use in our restaurants, as well as for resale to our franchisees and licensees who previously purchased supplies from AmeriServe. AmeriServe has agreed, for the same fee in effect prior to the bankruptcy filing, to continue to be responsible for distributing the supplies to us and our participating franchisee and licensee restaurants as well as providing ordering, inventory, billing and collection services for us. To date, this arrangement has been effective in ensuring supplies to our restaurants, and we have not experienced any significant supply interruption.

During the first quarter, we purchased approximately \$290 million in supplies of which \$210 million was used in Company operations or sold to our franchisees and licensees. We also accrued or paid AmeriServe \$38 million in distribution fees. These distribution activities, due primarily to prompt pay discounts from suppliers, were essentially break-even in the quarter after considering incremental interest incurred on our increased borrowings under our Revolving Credit Facility to finance our Temporary Direct Purchase Program. Under SFAS No. 45, "Accounting for Franchise Fee Revenue," the results of these distribution activities are reported on a net basis. Based on the non-recurring nature of this bankruptcy, we believe these results are properly reported as an Unusual Item in our Condensed Consolidated Statement of Income.

At March 18, 2000, our investment in receivables from franchisees and licensees from sales of supplies under the Temporary Direct Purchase Program was \$194 million and our supplies inventory was \$78 million. These assets are subject to the Replacement Lien discussed in the following paragraph. Our payables to suppliers were \$185 million. These amounts are included in the respective lines of our Condensed Consolidated Balance Sheet.

On the bankruptcy date, AmeriServe's pre-bankruptcy secured lenders (the "Secured Lenders") had a lien on certain collateral (consisting primarily of inventory and receivables) owned by AmeriServe as of that date (the "Pre-Petition Collateral"). The Secured Lenders have agreed to allow the Pre-Petition Collateral to be used in the normal course of business by AmeriServe following the bankruptcy date. In exchange, we and another AmeriServe customer have agreed with the agent for the Secured Lenders to grant a lien in favor of these lenders on inventory that we and the other customer purchase and the receivables resulting from the sale of this inventory under our respective Temporary Direct Purchase Programs (the "Replacement Lien"). The purpose of this Replacement Lien is to provide substitute collateral to the Secured Lenders to the extent the Pre-Petition Collateral has been used in the normal course of business by AmeriServe since the bankruptcy date. This is intended to ensure that the assets securing AmeriServe's pre-bankruptcy credit facility are not eroded from the date of the bankruptcy filing.

We are currently engaged in contingency planning and believe that we can arrange with an alternative distributor or distributors to meet the needs of the TRICON restaurant system if AmeriServe is no longer able to adequately service our restaurants or if otherwise permitted by the Bankruptcy Court.

As in most bankruptcies involving a primary supplier or distributor, the AmeriServe bankruptcy poses certain risks and uncertainties to us, as well as to our franchisees that rely on AmeriServe to distribute supplies to their restaurants. The more significant of these risks and uncertainties are described below. Significant adverse developments in any of these risks or uncertainties could have a material adverse impact on our results of operations, financial condition or cash flow.

We expect to incur costs in connection with our Temporary Direct Purchase Program, including the cost of additional debt incurred to finance the inventory purchases and to carry the receivables arising from inventory sales to our franchisees and licensees. While we believe that adequate inventory control and collections systems are in place, we may also incur costs related to the possibility of inventory obsolescence and uncollectible receivables from our franchisees and licensees. We expect to mitigate, if not fully offset, these costs through discounts granted by suppliers for prompt payments. We also expect to incur other incremental costs as a result of the AmeriServe bankruptcy, primarily consisting of professional fees. During the first quarter, we incurred approximately \$2 million of these types of costs which are reported as an Unusual Item.

We intend to continue to work with AmeriServe and our suppliers to meet our supply needs while AmeriServe seeks to reorganize through the bankruptcy process - whether in the form of a restructured company or through the sale of the business to one or more acceptable distributors. Due to the uncertainties surrounding AmeriServe's reorganization, we cannot predict the ultimate impact, if any, on our business. There can be no assurance that the DIP Facility will be sufficient to meet AmeriServe's cash requirements. Moreover, we believe it reasonably possible that we will not be able to fully recover the amount advanced under the DIP Facility. There can be no assurance that AmeriServe will be successful in arranging replacement DIP financing on satisfactory terms, or that a plan of reorganization for AmeriServe will ultimately be confirmed, or if confirmed, what the plan will provide. Additionally, there can be no assurance that AmeriServe will be able to maintain our supply line indefinitely without additional financing or at our current contractual rates. Finally, we are exposed to the risk that a portion of our inventory or receivables subject to the Replacement Lien under the Temporary Direct Purchase Program may be required to satisfy AmeriServe's obligations at the bankruptcy date under its pre-petition credit facility. Based upon currently available information, we are unable to determine the amount of the potential loss exposure related to the Replacement Lien.

We currently have a multi-year contract with AmeriServe which is subject to the Bankruptcy Court procedures during the reorganization process. As stated above, we believe that we can arrange with an alternative distributor or distributors to meet the needs of the TRICON restaurant system if AmeriServe is no longer able to adequately service our restaurants or if otherwise permitted by the Bankruptcy Court. We could, however, experience some short-term delays due to the time required to qualify and contract with, and transition the business to, other distributors. There can be no assurance that the cost of these alternatives would be at the same rates we currently pay AmeriServe.

We believe that we may have a set-off or recoupment claim against some or all of the amounts we owe AmeriServe for supplies we purchased prior to AmeriServe's bankruptcy filing ("Pre-petition Payables") that would allow us to recover certain costs and damages that we have incurred (or may incur) as a result of AmeriServe's failure to perform its contractual obligations to our restaurants both prior to and after the bankruptcy filing. While we intend to assert this claim, there can be no assurance that we will be successful in its prosecution or that we will be able to settle this claim on a basis favorable to the Company. To protect our rights, and on the advice of outside counsel, we have withheld payment of approximately \$100 million of Pre-petition Payables. This action has reduced the borrowings we otherwise would have required under our Revolving Credit Facility.

Without regard to the final outcome of the AmeriServe bankruptcy proceedings, it is our intention to take whatever steps are reasonably required to ensure continued supply of restaurant products and equipment to the TRICON system. To the extent we incur any ongoing incremental operating costs as a result of the AmeriServe bankruptcy or actions related thereto, we intend to mitigate those costs to the maximum extent possible through other reasonable management actions.

Casualty Loss Programs and Estimates

As more fully described in our 1999 Form 10-K, we are currently self-insured for a portion of our current and prior years' ultimate loss projections related to workers' compensation, general liability and automobile liability insurance programs (collectively, "casualty loss(es)"). To mitigate the cost of our exposures for certain casualty losses, we make annual decisions to either retain the risks of loss up to certain per occurrence or maximum loss limits negotiated with our insurance carriers or to fully insure those risks.

For 2000, we have decided to bundle our risks for casualty losses, property losses and various other insurable risks into one risk pool with a single maximum loss limit. Since all of these risks have been pooled and there are no per occurrence limits for individual claims, it is possible that we may experience increased volatility in property and casualty losses on a quarter to quarter basis. This would occur if a significant individual large loss is incurred either early in a program year or when the latest actuarial projection of losses for a program year is significantly below our aggregate loss retention. A large loss is defined as a loss in excess of \$2 million which was our predominate per occurrence casualty loss limit under our previous insurance program.

We determine our retained liabilities for casualty losses, including reported claims and those claims that have been incurred but not yet reported, based on information provided by our independent actuary. We have our actuary perform valuations two times a year. In the first and fourth quarters of 1999, we received a valuation from the actuary based on information through December 31, 1998 and June 30, 1999, respectively. Based on these valuations, we recorded favorable adjustments to our casualty loss reserves of \$30 million in 1999 (\$21 million in the first quarter and \$9 million in the fourth quarter) primarily as a result of our independent actuary's changes in its estimate of losses. The 1999 adjustments resulted primarily from improved loss trends related to our 1998 casualty losses across all three of our U.S. operating companies. We believe the favorable adjustments were a direct

result of our recent investments in safety and security programs to better manage risk at the store level. Beginning in 2000, valuations will be received and required adjustments will be made in the second and fourth quarters of each year. As a result, we will have a timing difference from recognizing the adjustment in the first quarter 1999 and second quarter 2000.

We will continue to make adjustments both based on our actuary's periodic valuations as well as whenever there are significant changes in the expected costs of settling large claims not contemplated by the actuary. Due to the inherent volatility of our actuarially-determined casualty loss estimates, it is reasonably possible that we will experience changes in estimated losses which could be material to our growth in net income in 2000. We believe that, since we record our reserves for casualty losses at a 75% confidence level, we have mitigated the negative impact of adverse development and/or volatility.

Change of Control Agreements

In July 1998, we entered into severance agreements with certain key executives which would be triggered by a termination, under certain conditions, of the executive following a change in control of the Company, as defined in the agreements. Once triggered, the affected executives would receive twice the amount of their annual base salary and their annual incentive in a lump sum, outplacement services and a tax gross-up for any excise taxes. The agreements expire December 31, 2000. Since the timing of any payments under these agreements cannot be anticipated, the amounts are not estimable. However, these payments, if required, could be substantial. In connection with the execution of these agreements, the Compensation Committee of our Board of Directors has authorized amendment of the deferred and incentive compensation plans and, following a change in control, an establishment of rabbi trusts which will be used to provide payouts under these deferred compensation plans.

Wage and Hour Litigation

We are subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. Like some other large retail employers, Pizza Hut and Taco Bell recently have been faced in a few states with allegations of purported class-wide wage and hour violations.

On May 11, 1998, a purported class action lawsuit against Pizza Hut, Inc., and one of its franchisees, PacPizza, LLC, entitled *Aguardo, et al. v. Pizza Hut, Inc., et al.* ("Aguardo"), was filed in the Superior Court of the State of California of the County of San Francisco. The lawsuit was filed by three former Pizza Hut restaurant general managers purporting to represent approximately 1,300 current and former California restaurant general managers of Pizza Hut and PacPizza. The lawsuit alleges violations of state wage and hour laws involving unpaid overtime wages and vacation pay and seeks an unspecified amount in damages. On January 12, 2000, the Court certified a class of approximately 1,300 current and former restaurant general managers. This lawsuit is in the early discovery phase.

On October 2, 1996, a class action lawsuit against Taco Bell Corp., entitled *Mynaf, et al. v. Taco Bell Corp.* ("Mynaf"), was filed in the Superior Court of the State of California of the County of Santa Clara. The lawsuit was filed by two former restaurant general managers and two former assistant restaurant general managers purporting to represent all current and former Taco Bell restaurant general managers and assistant restaurant general managers in California. The lawsuit alleges violations of California wage and hour laws involving unpaid overtime wages. The complaint also includes an unfair business practices claim. The four named plaintiffs claim individual damages ranging from \$10,000 to \$100,000 each. On September 17, 1998, the court certified a class of approximately 3,000 current and former assistant restaurant general managers and restaurant general managers. Taco Bell petitioned the appellate court to review the trial court's certification order. The petition was denied on

December 31, 1998. Taco Bell then filed a petition for review with the California Supreme Court, and the petition was subsequently denied. Class notices were mailed on August 31, 1999 to over 3,400 class members. The original trial date of July 10, 2000 has been continued to January 15, 2001.

On August 29, 1997, a class action lawsuit against Taco Bell Corp., entitled *Bravo, et al. v. Taco Bell Corp.* ("Bravo"), was filed in the Circuit Court of the State of Oregon of the County of Multnomah. The lawsuit was filed by two former Taco Bell shift managers purporting to represent approximately 17,000 current and former hourly employees statewide. The lawsuit alleges violations of state wage and hour laws, principally involving unpaid wages including overtime, and rest and meal period violations, and seeks an unspecified amount in damages. Under Oregon class action procedures, Taco Bell was allowed an opportunity to "cure" the unpaid wage and hour allegations by opening a claims process to all putative class members prior to certification of the class. In this cure process, Taco Bell has currently paid out less than \$1 million. On January 26, 1999, the Court certified a class of all current and former shift managers and crew members who claim one or more of the alleged violations. The lawsuit is in the discovery and pre-trial motions phase. A trial date of November 2, 1999 was set. However, on November 1, 1999, the Court issued a proposed order postponing the trial and establishing a pre-trial claims process. The final order regarding the claims process was entered on January 14, 2000. Taco Bell moved for certification of an immediate appeal of the Court-ordered claims process and requested a stay of the proceedings. This motion was denied on February 8, 2000. Taco Bell appealed this decision to the Supreme Court of Oregon and the Court denied Taco Bell's Writ of Mandamus on March 2, 2000. A Court-approved notice and claim form was mailed to approximately 14,500 class members on January 31, 2000.

We have provided for the estimated costs of the Aguardo, Mynaf and Bravo litigations, based on a projection of eligible claims (including claims filed to date, where applicable), the cost of each eligible claim and the estimated legal fees incurred by plaintiffs. Although the outcome of these lawsuits cannot be determined at this time, we believe the ultimate cost of these cases in excess of the amounts already provided will not be material to our annual results of operations, financial condition or cash flows.

Obligations to PepsiCo, Inc. After Spin-off

As disclosed in our 1999 Form 10-K, in connection with the October 7, 1997 Spin-off from PepsiCo, Inc. ("PepsiCo") (the "Spin-off"), we entered into separation and other related agreements (the "Separation Agreement"), governing the Spin-off transaction and our subsequent relationship with PepsiCo. These agreements provide certain indemnities to PepsiCo.

The Separation Agreement provided for, among other things, our assumption of all liabilities relating to the restaurant businesses, inclusive of California Pizza Kitchen, Chevys Mexican Restaurant, D'Angelo's Sandwich Shops, East Side Mario's and Hot 'n Now (collectively the "Non-core Business(es)"), and our indemnification of PepsiCo with respect to these liabilities. We have included our best estimates of these liabilities in the accompanying Financial Statements. Subsequent to Spin-off, claims have been made by certain Non-core Business franchisees and a purchaser of one of the businesses. Certain of these claims have been settled, and we are disputing the validity of the remaining claims; however, we believe that any settlement of these claims at amounts in excess of previously recorded liabilities is not likely to have a material adverse effect on our results of operations, financial condition or cash flows.

In addition, we have indemnified PepsiCo for any costs or losses it incurs with respect to all letters of credit, guarantees and contingent liabilities relating to our businesses under which PepsiCo remains liable. As of March 18, 2000, PepsiCo remains liable for almost \$200 million related to these contingencies. This obligation ends at the time they are released, terminated or replaced by a qualified letter of credit. We have not been required to make any payments under this indemnity.

Under the Separation Agreement, PepsiCo maintains full control and absolute discretion with regard to any combined or consolidated tax filings for periods through the Spin-off Date. PepsiCo also maintains full control and absolute discretion regarding any common tax audit issues. Although PepsiCo has contractually agreed to, in good faith, use its best efforts to settle all joint interests in any common audit issue on a basis consistent with prior practice, there can be no assurance that determinations made by PepsiCo would be the same as we would reach, acting on our own behalf. Through March 18, 2000, there have not been any determinations made by PepsiCo where we would have reached a different determination.

We have agreed to certain restrictions on future actions to help ensure that the Spin-off maintains its tax-free status. Restrictions include, among other things, limitations on our liquidation, merger or consolidation with another company, certain issuances and redemptions of our Common Stock, our granting of stock options and our sale, refranchising, distribution or other disposition of assets. We review any proposed transaction involving these activities to determine whether it complies with these restrictions. If we fail to abide by these restrictions or to obtain waivers from PepsiCo and, as a result, the Spin-off fails to qualify as a tax-free reorganization, we will be obligated to indemnify PepsiCo for any resulting tax liability which could be substantial. No payments under these indemnities have been required or are expected to be required. Additionally, under the terms of the tax separation agreement, PepsiCo is entitled to the federal income tax benefits related to the exercise after the Spin-off of vested PepsiCo options held by our employees. We incur the payroll taxes related to the exercise of these options.

Contingent Liabilities

We were directly or indirectly contingently liable in the amounts of \$388 million and \$386 million at March 18, 2000 and December 25, 1999, respectively, for certain lease assignments and guarantees. In connection with these contingent liabilities, after the Spin-off we were required to maintain cash collateral balances at certain institutions of approximately \$30 million, which are included in Other Assets in the accompanying Condensed Consolidated Balance Sheet. At March 18, 2000, \$309 million represented contingent liabilities to lessors as a result of our assigning our interest in and obligations under real estate leases as a condition to the refranchising of Company restaurants. The \$309 million represented the present value of the minimum payments under the assigned leases, excluding any renewal option periods, discounted at our pre-tax cost of debt. On a nominal basis, the contingent liability resulting from the assigned leases was \$481 million. The balances of the contingent liabilities primarily reflected our guarantees to support financial arrangements of certain unconsolidated affiliates and restaurant franchisees.

9. Share Repurchase Program

In 1999, our Board of Directors authorized the repurchase of up to \$350 million of our outstanding Common Stock excluding applicable transaction fees. During the 12 weeks ended March 18, 2000, we repurchased approximately 3.9 million shares for \$138 million at an average price per share of \$35.58. Since the inception of the Share Repurchase Program, we have repurchased approximately 7.2 million shares for over \$270 million.

Introduction

TRICON Global Restaurants, Inc. and Subsidiaries (collectively referred to as "TRICON," the "Company," "we" or "us") is comprised of the worldwide operations of KFC, Pizza Hut and Taco Bell and is the world's largest quick service restaurant ("QSR") company based on the number of system units. The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited Condensed Consolidated Financial Statements which begin on page 3, the Cautionary Statements on page 31 and our annual report on Form 10-K for the fiscal year ended December 25, 1999 ("1999 Form 10-K"). All Note references herein refer to the accompanying notes to the Condensed Consolidated Financial Statements.

Throughout MD&A, we make reference to ongoing operating profit which represents our operating profit excluding the impact of our facility actions net gain, unusual items and accounting and human resources policy changes in 1999 (collectively, the "accounting changes"). See Note 3 for a discussion of these exclusions. We use ongoing operating profit as a key performance measure of our results of operations for purposes of evaluating performance internally and as the base to forecast future performance. Ongoing operating profit is not a measure defined in generally accepted accounting principles ("GAAP") and should not be considered in isolation or as a substitution for measures of performance in accordance with GAAP.

Impact of AmeriServe Bankruptcy

See Note 8 for a complete discussion of the impact of the AmeriServe Food Distribution, Inc. ("AmeriServe") bankruptcy.

Significant Known Events, Trends or Uncertainties Expected to Impact 2000 Comparisons with 1999

The following factors impacted comparability of operating performance for the quarter ended March 18, 2000 to the quarter ended March 20, 1999 or could impact comparisons for the remainder of 2000. These factors were previously discussed in our 1999 Form 10-K.

Change in Casualty Loss Estimates

As described in Note 8, we recorded favorable adjustments to our casualty loss reserves of \$30 million in 1999 (\$21 million in the first quarter and \$9 million in the fourth quarter). The adjustments were related to previously recorded casualty loss estimates determined by our independent actuary for both the current and prior years in which we retained some risk of loss. We believe these favorable adjustments were a direct result of our recent investments in safety and security programs to better manage risk at the store level.

We will continue to make adjustments both based on our actuary's periodic valuations as well as whenever there are significant changes in the expected costs of settling large claims not contemplated by the actuary. Due to the inherent volatility of our actuarially-determined casualty loss estimates, it is reasonably possible that we will experience changes in estimated losses which could be material to our growth in ongoing operating profit in 2000. However, we currently expect the magnitude of such estimate changes will be less than those experienced in 1999. This expectation is primarily based on indications by our independent actuary that its current loss estimates are based more on the favorable actual loss trends we have achieved in the last few years than the more negative trends we experienced in earlier years. We believe that, since we record our reserves for casualty losses at a 75% confidence level, we have mitigated the negative impact of adverse development and/or volatility.

Unusual Items

We had unusual items of \$4 million (\$2 million after-tax) in the first quarter of 2000. See Note 3 for a detailed discussion of our unusual items.

Impact of New Ventures

Consistent with our strategy to focus our capital on key international markets, we entered into agreements in the fourth quarter of 1999 to form new ventures during 2000 in Canada and Poland with our largest franchisees in those markets. We intend to contribute approximately 300 restaurants in Canada and 50 restaurants in Poland in exchange for an equity interest in each venture. These units represented approximately 18% of total International Company units at March 18, 2000. These interests will be accounted for under the equity method. We have not yet determined the timing of the formation of these new ventures.

Upon formation of these ventures, we will recognize our share of the ventures' net income or loss as equity income from investments in unconsolidated affiliates. Currently, the results from our restaurants are being consolidated. The impact of these transactions on operating results will be similar to the portfolio effect of our refranchising activities, which is described on page 20. These transactions will result in a decline in our Company sales, restaurant margin dollars and general and administrative expenses and an increase in franchise fees. Had these ventures been formed at the beginning of 2000, our International Company sales for the 12 weeks ended March 18, 2000 would have declined approximately 17% as compared to the reported decline of 5%. However, we estimate the overall impact on first quarter 2000 ongoing operating profit would have been favorable.

Extra Week in 2000

Our fiscal calendar results in a fifty-third week every five or six years. Fiscal year 2000 will include a fifty-third week in the fourth quarter. This additional week will have a favorable effect on our operating results for 2000.

Year 2000

As more fully described in our 1999 Form 10-K, we developed and implemented an enterprise-wide plan to prepare our systems for the Year 2000 issue. We incurred approximately \$1 million and \$8 million of Year 2000 costs in the 12 weeks ended March 18, 2000 and March 20, 1999, respectively. We are essentially complete with all of our Year 2000 activities and currently estimate that the remaining costs to be incurred in 2000 will be insignificant. We incurred Year 2000 costs of approximately \$30 million during the 52 weeks ended December 25, 1999.

Euro Conversion

On January 1, 1999, eleven of the fifteen member countries of the European Economic and Monetary Union ("EMU") adopted the Euro as a common legal currency and fixed conversion rates were established. From that date through no later than June 30, 2002, participating countries will maintain both legacy currencies and the Euro as legal tender. Beginning January 1, 2002, new Euro-denominated bills and coins will be issued, and a transition period of up to six months will begin during which legacy currencies will be removed from circulation.

We have Company and franchised businesses in the adopting member countries, which are preparing for the conversion. Expenditures associated with conversion efforts to date have been insignificant. We currently estimate that our spending over the transition period will be approximately \$10 million, related to the conversion in the EMU member countries in which we operate stores. Approximately 60% of these expenditures relate to capital expenditures for new point-of-sale and back-of-restaurant hardware and software to accommodate Euro-denominated transactions. We expect that adoption of the Euro by the U.K. would significantly increase this estimate due to the size of our businesses there relative to our aggregate businesses in the adopting member countries in which we operate.

The pace of ultimate consumer acceptance of and our competitors' responses to the Euro are currently unknown and may impact our existing plans. However, we know that, from a competitive perspective, we will be required to assess the impacts of product price transparency, potentially revise product bundling strategies and create Euro-friendly price points prior to 2002. We do not believe that these activities will have sustained adverse impacts on our businesses. Although the Euro does offer certain benefits to our treasury and procurement activities, these are not currently anticipated to be significant.

We currently anticipate that our suppliers and distributors will continue to invoice us in legacy currencies until late 2001. We expect to begin dual pricing in our restaurants in 2001. We expect to compensate employees in Euros beginning in 2002. We believe that the most critical activity regarding the conversion for our businesses is the completion of the rollout of Euro-ready point-of-sale equipment and software by the end of 2001. Our current plans should enable us to be Euro-compliant prior to the requirements for these changes. Any delays in our ability to complete our plans, or in the ability of our key suppliers to be Euro-compliant, could have a material adverse impact on our results of operations, financial condition or cash flows.

Store Portfolio Strategy

For the last several years, we have been strategically reducing our share of total system units by selling Company restaurants to existing and new franchisees where their expertise can be leveraged to improve our overall operating performance, while retaining Company ownership of key U.S. and International markets. This portfolio-balancing activity has reduced, and will continue to reduce, our reported revenues and restaurant profits and increase the importance of system sales as a key performance measure.

We currently expect to rebrand approximately 500 to 600 restaurants in 2000 compared to over 1,400 in 1999. As a result of this decline, we estimate that our 2000 rebranding gains will be significantly less than our 1999 gains. However, if market conditions are favorable, we may sell more restaurants than the current forecast. We expect the impact of rebranding gains to be even less significant over time as we approach our target of approximately 20 percent Company ownership of the total system.

The following table summarizes the rebranding activities:

	12 Weeks Ended	
	3/18/00	3/20/99
Number of units rebranded	183	221
Rebranding proceeds, pre-tax	\$ 83	\$ 121
Rebranding net gain, pre-tax	\$ 47	\$ 37

In addition to our refranchising program, we have been closing restaurants over the past several years. Restaurants closed include poor performing restaurants, restaurants that are relocated to a new site within the same trade area or U.S. Pizza Hut delivery units consolidated with a new or existing dine-in traditional store which has been remodeled to provide dine-in, carry-out and delivery services within the same trade area. We closed 50 and 82 units in the first quarter of 2000 and 1999, respectively. The store closure costs associated with these units were not significant.

Overall Company ownership percentage of our total system units was 22.6% at March 18, 2000, which was slightly less than year-end 1999.

The Portfolio Effect on ongoing operating profit included in our discussions of results of operations represents the estimated impact on Company sales, franchise fees, restaurant margin, general and administrative expenses and operating profit related to our refranchising and store closure initiatives. The amounts presented below reflect the impact from stores that were operated by us for all or some portion of the first quarter of 1999 and are no longer operated by us as of March 18, 2000.

The following table summarizes the revenue impact of the Portfolio Effect for the 12 weeks ended March 18, 2000:

	U.S. -----	International -----	Worldwide -----
Company sales from refranchised or closed stores	\$ (231)	\$ (55)	\$ (286)
Increased franchise fees from Company stores refranchised	11	3	14
	-----	-----	-----
Reduction in total revenues	\$ (220)	\$ (52)	\$ (272)
	=====	=====	=====

The following table summarizes the estimated impact on ongoing operating profit of the Portfolio Effect for the 12 weeks ended March 18, 2000:

	U.S. -----	International -----	Worldwide -----
Decreased restaurant margin amounts from refranchised or closed stores	\$ (25)	\$ (6)	\$ (31)
Increased franchise fees from Company stores refranchised	11	3	14
General and administrative expense reductions	4	1	5
	-----	-----	-----
Reduction in ongoing operating profit	\$ (10)	\$ (2)	\$ (12)
	=====	=====	=====

The estimated interest savings resulting from the reduction of debt by the after-tax cash proceeds from our refranchising activities largely mitigated this reduction in ongoing operating profit.

Worldwide Results of Operations

	12 Weeks Ended		% B(W)
	3/18/00	3/20/99	
System Sales	\$ 4,926	\$ 4,806	2
Revenues			
Company sales	\$ 1,425	\$ 1,662	(14)
Franchise and license fees	172	151	13
Total Revenues	\$ 1,597	\$ 1,813	(12)
Company Restaurant Margin	\$ 201	\$ 259	(22)
% of Company sales	14.1%	15.6%	(1.5) ppts.
Ongoing operating profit	\$ 199	\$ 192	3
Accounting changes(a)	-	10	NM
Facility actions net gain	47	34	39
Unusual items	(4)	-	NM
Operating profit	242	236	2
Interest expense, net	41	52	22
Income tax provision	81	78	(4)
Net Income	\$ 120	\$ 106	13
Diluted earnings per share	\$ 0.80	\$ 0.66	21

(a) See Note 3 for a discussion of our 1999 accounting changes.

Worldwide Restaurant Unit Activity

	Company	Unconsolidated Affiliates	Franchisees	Licensees	Total
Balance at December 25, 1999	6,981	1,178	18,414	3,409	29,982
Openings & Acquisitions	31	8	154	69	262
Refranchising & Licensing	(183)	1	184	(2)	-
Closures	(50)	(8)	(93)	(83)	(234)
Balance at March 18, 2000	6,779(a)	1,179	18,659	3,393	30,010
% of Total	22.6%	3.9%	62.2%	11.3%	100.0%

(a) Includes 11 Company units approved for closure, but not yet closed at March 18, 2000.

Worldwide System Sales and Revenues

System sales increased \$120 million or 2% in the first quarter. The increase was driven by new unit development at TRICON Restaurants International ("TRI" or "International") and at our three U.S. concepts. U.S. development was primarily at Taco Bell and KFC while International development was primarily in Asia. The increase was partially offset by store closures at our three U.S. concepts and in International.

Revenues decreased \$216 million or 12% due to the expected decline in Company sales of \$237 million or 14%. The decline in Company sales was primarily due to the Portfolio Effect. Excluding the Portfolio Effect, Company sales increased \$49 million or 4%. The increase was primarily due to new unit development partially offset by volume declines.

Franchise and license fees grew \$21 million or 13% in the first quarter. The growth was primarily driven by units acquired from us and new unit development primarily in International and Taco Bell in the U.S., partially offset by store closures by franchisees and licensees.

Worldwide Company Restaurant Margin

	12 Weeks Ended	
	3/18/00	3/20/99
Company sales	100.0%	100.0%
Food and paper	31.0	31.7
Payroll and employee benefits	28.8	27.9
Occupancy and other operating expenses	26.1	24.8
Company restaurant margin	14.1%	15.6%

Our restaurant margin as a percentage of sales declined approximately 145 basis points in the quarter as compared to the first quarter of 1999. The unfavorable impact of lapping our 1999 accounting changes, which were discussed in our 1999 Form 10-K, caused approximately 35 basis points of the decline. Our restaurant margin included approximately 50 basis points related to the favorable impact of the Portfolio Effect. Excluding these items, the decline was approximately 160 basis points. This decrease included approximately 125 basis points resulting from the absence of \$21 million of favorable 1999 U.S. insurance-related adjustments, which are further described on page 13. The remaining decrease was primarily attributable to volume declines in the U.S. and in International as well as the unfavorable impact of the introduction of lower margin chicken sandwiches at KFC in the U.S. The favorable impact of Effective Net Pricing in excess of costs in key International equity markets was fully offset by net cost increases in the U.S. Effective Net Pricing includes increases or decreases in price and the effect of changes in product mix.

Worldwide General and Administrative Expenses ("G&A")

G&A decreased \$32 million or 15% in the quarter. Excluding the 1999 benefit from accounting changes, ongoing G&A decreased \$36 million or 16% in the quarter. The decrease was primarily due to the absence of spending at Pizza Hut and Taco Bell on biennial conferences held in 1999 to support our culture initiatives and lower stock-based compensation expense. In addition, G&A declined as a result of lower Year 2000 costs and the favorable impact of the Portfolio Effect as discussed on page 20.

Worldwide Other (Income) Expense

	12 Weeks Ended		% B(W)
	3/18/00	3/20/99	
Equity income from investments in unconsolidated affiliates	\$ (7)	\$ (6)	19
Foreign exchange net loss	-	1	NM
Other (income) expense	\$ (7)	\$ (5)	31

Worldwide Facility Actions Net Gain

	12 Weeks Ended		% B(W)
	3/18/00	3/20/99	
Refranchising net gains	\$ 47	\$ 37	28
Store closure net credits (costs)	1	(1)	NM
Impairment charges for stores to be closed	(1)	(2)	59
Facility actions net gain	\$ 47	\$ 34	39

Refranchising net gains included initial franchise fees of \$5 million and \$7 million for the 12 weeks ended March 18, 2000 and March 20, 1999, respectively. The refranchising net gains arose from refranchising 183 and 221 units in the first quarter of 2000 and 1999, respectively. See pages 19 - 20 for more details regarding our refranchising activities.

The loss of restaurant margin from the disposal of stores was largely mitigated in income before income taxes by the increased franchise fees from stores refranchised, lower field general and administrative expenses and reduced interest costs primarily resulting from the reduction of debt by the after-tax cash proceeds from our refranchising activities as discussed more fully on pages 19-20. Restaurant margin included the benefit from the suspension of depreciation and amortization on assets held for disposal of an insignificant amount for the first quarter of 2000 and \$3 million (\$2 million in the U.S. and \$1 million in International) for the first quarter of 1999.

We evaluate stores that will continue to be used in the business for impairment on a semi-annual basis or when impairment indicators exist. Stores that will be closed in the quarter beyond which the closure decision is made are evaluated for impairment in the quarter in which the closure decision is made. Our 2000 refranchising gains, store closure costs and impairment charges are not necessarily indicative of future results.

Worldwide Operating Profit	12 Weeks Ended		
	3/18/00	3/20/99	% B(W)
United States ongoing operating profit	\$ 156	\$ 175	(11)
International ongoing operating profit	75	56	33
Ongoing unallocated and corporate expenses	(32)	(38)	16
Accounting changes(a)	-	10	NM
Foreign exchange net loss	-	(1)	NM
Facility actions net gain	47	34	39
Unusual items	(4)	-	NM
Reported operating profit	\$ 242	\$ 236	2

(a) See Note 3 for a discussion of our 1999 accounting changes.

The U.S. and International ongoing operating profit for the first quarter of 2000 are discussed on page 26 and 28, respectively. Facility actions net gain, unusual items and 1999 accounting changes are discussed in Note 3.

Ongoing unallocated and corporate expenses decreased \$6 million or 16% in the first quarter of 2000. The decline was primarily due to lower Year 2000 spending in 2000.

Worldwide Interest Expense, Net

	12 Weeks Ended		
	3/18/00	3/20/99	% B(W)
Interest expense	\$ 45	\$ 56	20
Interest income	(4)	(4)	-
Interest expense, net	\$ 41	\$ 52	22

The decrease in our net interest expense is primarily due to the reduction of debt by the after-tax cash proceeds from our refranchising activities and cash from operations. The net interest expense on the incremental borrowings related to the AmeriServe bankruptcy has been included in Unusual Items on the Condensed Consolidated Statement of Income. The AmeriServe-related net interest expense was insignificant for the 12 weeks ended March 18, 2000.

Worldwide Income Taxes

	12 Weeks Ended	
	3/18/00	3/20/99
Reported		
Income taxes	\$ 81	\$ 78
Effective tax rate	40.1%	42.3%
Ongoing(a)		
Income taxes	\$ 62	\$ 59
Effective tax rate	39.0%	42.6%

(a) Excludes the effects of facility actions net gain, unusual items and 1999 accounting changes. See Note 3 for a discussion of these exclusions.

The decrease in our effective tax rate compared to 1999 is primarily attributable to a reduction in the tax on our international operations. This reduction included the benefits of becoming eligible for the first time to claim a portion of our available foreign income tax credits against our U.S. income tax liability for foreign taxes paid in 2000.

Diluted Earnings Per Share

The components of diluted earnings per common share were as follows:

	12 Weeks Ended(a)	
	3/18/00	3/20/99
Ongoing operating earnings	\$ 0.64	\$ 0.50
Accounting changes	-	0.04(b)
Facility actions net gain	0.18	0.12
Unusual items	(0.02)	-
Net income	\$ 0.80	\$ 0.66

(a) All computations were based on diluted shares of 151 million and 161 million for the 12 weeks ended March 18, 2000 and March 20, 1999, respectively.

(b) See Note 3 for a discussion of our 1999 accounting changes.

U.S. Results of Operations

	12 Weeks Ended		% B(W)
	3/18/00	3/20/99	
System Sales	\$ 3,205	\$ 3,220	-
Revenues			
Company sales	\$ 1,047	\$ 1,264	(17)
Franchise and license fees	115	102	12
Total Revenues	\$ 1,162	\$ 1,366	(15)
Company Restaurant Margin	\$ 144	\$ 204	(29)
% of Company sales	13.7%	16.1%	(2.4) ppts.
Ongoing Operating Profit(a)	\$ 156	\$ 175	(11)

(a) Excludes facility actions net gain, unusual items and 1999 accounting changes.

U.S. Restaurant Unit Activity

	Company	Franchisees	Licensees	Total
Balance at December 25, 1999	4,984	12,110	3,100	20,194
Openings & Acquisitions	18	65	60	143
Refranchising & Licensing	(122)	124	(2)	-
Closures	(41)	(45)	(73)	(159)
Balance at March 18, 2000	4,839(a)	12,254	3,085	20,178
% of Total	24.0%	60.7%	15.3%	100.0%

(a) Includes 10 Company units approved for closure, but not yet closed at March 18, 2000.

U.S. System Sales and Revenues

System sales declined slightly in the first quarter due to store closures, primarily at Pizza Hut and Taco Bell, and same store sales declines. This decrease was almost fully offset by new unit development, led by Taco Bell and KFC.

Revenues decreased \$204 million or 15% due to the expected decline in Company sales of \$217 million or 17% in the first quarter of 2000. The decline in Company sales was due to the Portfolio Effect. Excluding the Portfolio Effect, Company sales increased approximately \$14 million or 2%. This increase was primarily due to new unit development partially offset by unfavorable Effective Net Pricing and volume declines. The unfavorable Effective Net Pricing was primarily a result of a shift from higher-priced menu items to value-priced menu items at Taco Bell and chicken sandwiches at KFC. The decline in volume was mainly due to the lapping of Pizza Hut's successful first quarter 1999 new product introduction, "The Big New Yorker," partially offset by volume increases at Taco Bell.

Franchise and license fees increased \$13 million or 12%. The increase was driven by units acquired from us and new unit development. These increases were partially offset by store closures and franchisee same store sales declines.

Blended same store sales for our three U.S. restaurant concepts decreased almost 2%. The decrease was almost equally driven by unfavorable Effective Net Pricing and transaction declines. Same store sales at Taco Bell were slightly favorable due to transaction increases of nearly 3%, primarily driven by the introduction of

the "Enchirito" and the fourth quarter 1999 introduction of the "Chalupa." The increase in transactions at Taco Bell was almost fully offset by unfavorable Effective Net Pricing. Same store sales at Pizza Hut declined 2% in the first quarter. The decline was primarily driven by a decrease in transactions of almost 5% compared to the highly successful introduction of "The Big New Yorker" in the first quarter of 1999. This product introduction drove transaction growth of over 9%. The 2000 decrease was partially offset by favorable Effective Net Pricing of over 2%. Same store sales at KFC decreased 3%. The decrease was due to transaction declines of 2% and unfavorable Effective Net Pricing of 1%. The decline in transactions was due in part to lapping successful promotions in the first quarter of 1999, which was KFC's strongest quarter in 1999. KFC did not achieve overall incremental transaction growth in the first quarter of 2000, in spite of its strong growth in its chicken sandwiches, due to the higher than expected negative impact of chicken sandwiches on sales of other products.

U.S. Company Restaurant Margin

	12 Weeks Ended	
	3/18/00	3/20/99
Company sales	100.0%	100.0%
Food and paper	29.1	30.5
Payroll and employee benefits	31.7	29.6
Occupancy and other operating expenses	25.5	23.8
Company restaurant margin	13.7%	16.1%

Our restaurant margin as a percentage of sales declined approximately 240 basis points in the first quarter as compared to the first quarter of 1999. The unfavorable impact of lapping our 1999 accounting changes, which were discussed in our 1999 Form 10-K, caused approximately 45 basis points of the decline. Our restaurant margin included approximately 55 basis points related to the favorable impact of the Portfolio Effect. Excluding these items, the decline was approximately 250 basis points. This decrease included approximately 165 basis points resulting from the absence of \$21 million of favorable 1999 insurance-related adjustments, which are further described on page 13. The remaining decrease was primarily attributable to cost increases in excess of Effective Net Pricing and volume declines. The increased costs were driven by higher wage rates, partially offset by a decline in commodity costs, primarily cheese. Volume declines at Pizza Hut and the unfavorable impact of the introduction of lower margin chicken sandwiches at KFC were partially offset by increased volume at Taco Bell.

U.S. Ongoing Operating Profit

Ongoing operating profit declined \$19 million or 11%. As discussed on page 20, the estimated net negative impact due to the Portfolio Effect was approximately \$10 million or 6% of our ongoing operating profit for the first quarter of 1999. The remaining decrease was primarily driven by a decline in base restaurant margin of 250 basis points. This decline was partially offset by a significant reduction in G&A. The decrease in G&A was largely due to the absence of the biennial conferences at Pizza Hut and Taco Bell held in 1999 as well as lower stock-based compensation expense.

International Results of Operations

	12 Weeks Ended		% B(W)
	3/18/00	3/20/99	
System Sales	\$ 1,721	\$ 1,586	9
Revenues			
Company sales	\$ 378	\$ 398	(5)
Franchise and license fees	57	49	16
Total Revenues	\$ 435	\$ 447	(3)
Company Restaurant Margin	\$ 57	\$ 55	4
% of Company sales	15.2%	13.8%	1.4 ppts.
Ongoing Operating Profit(a)	\$ 75	\$ 56	33

(a) Excludes facility actions net gain, unusual items and 1999 accounting changes.

International Restaurant Unit Activity

	Company	Unconsolidated Affiliates	Franchisees	Licensees	Total
Balance at December 25, 1999	1,997	1,178	6,304	309	9,788
Openings & Acquisitions	13	8	89	9	119
Refranchising & Licensing	(61)	1	60	-	-
Closures and Divestitures	(9)	(8)	(48)	(10)	(75)
Balance at March 18, 2000	1,940(a)	1,179	6,405	308	9,832
% of Total	19.7%	12.0%	65.1%	3.2%	100.0%

(a) Includes 1 Company unit approved for closure, but not yet closed at March 18, 2000.

International System Sales and Revenues

System sales increased \$135 million or 9% in the first quarter. Excluding the impact from foreign currency translation, system sales increased \$121 million or 8%. This increase was driven by new unit development and same store sales growth by our franchisees. This increase was partially offset by store closures, primarily in Asia, Germany and Canada.

Revenues decreased \$12 million or 3%. The decline in Company sales of \$20 million or 5% was due to the Portfolio Effect. Excluding the Portfolio Effect, Company sales grew \$35 million or 10%. The increase was driven by new unit development, primarily in Asia and Mexico, and favorable Effective Net Pricing.

Franchise and license fees grew approximately \$8 million or 16%. The increase was driven by new unit development, units acquired from us and same store sales growth. These increases were partially offset by store closures.

International Company Restaurant Margin

	12 Weeks Ended	
	3/18/00	3/20/99
Company sales	100.0%	100.0%
Food and paper	36.1	35.8
Payroll and employee benefits	20.7	22.3
Occupancy and other operating expenses	28.0	28.1
Company restaurant margin	15.2%	13.8%

Our restaurant margin as a percentage of sales increased approximately 135 basis points in the quarter as compared to the first quarter of 1999. Excluding the favorable impact of foreign currency translation, restaurant margin increased approximately 125 basis points. Portfolio Effect contributed approximately 40 basis points to the improvement. Excluding these items, our restaurant margin grew over 85 basis points. China and Australia, which are both key equity markets, were the major contributors to the improvement. New unit development in China and Effective Net Pricing in excess of cost increases in Australia and China were the key drivers. China and Australia experienced volume increases, primarily as a result of same store sales growth, which were more than offset by volume declines in other equity markets.

International Ongoing Operating Profit

Ongoing operating profit grew \$19 million or 33%. As discussed on page 20, the estimated net negative impact due to the Portfolio Effect was approximately \$2 million or 4% of our ongoing operating profit for the first quarter of 1999. Excluding this impact, the increase in operating profit was driven by our base restaurant margin improvement of almost 100 basis points, a decline in G&A and higher franchise and license fees. The decline in G&A, excluding the Portfolio Effect, was primarily due to lower headquarters expenses.

Consolidated Cash Flows

Net cash used in operations decreased \$42 million to a use of \$18 million for the quarter. Net income before facility actions and all other non-cash charges decreased \$69 million to \$123 million. The decline was primarily attributable to our portfolio activities over the past year that has led to a net decrease of over 1,300 Company restaurants. Our operating working capital reflected a net use of cash of \$141 million for the quarter. As more fully discussed in Note 8, the primary driver of the net use was the program where the Company is temporarily purchasing food and supply inventories directly from third party suppliers for the Tricon system and selling a portion of these supplies to franchisees and licensees (the "Temporary Direct Purchase Program") related to the AmeriServe bankruptcy filing. This impacted our operating working capital as a net use of funds totaling about \$164 million. We also withheld payment of Pre-petition Payables to Ameriserve totaling \$100 million. The net impact of these two items is reflected in our working capital net use of cash as \$194 million use in Accounts and notes receivable, \$78 million use in Inventories and \$208 million source in Accounts payable and other current liabilities.

Excluding the impact of the Temporary Direct Purchase Program and the withheld amounts payable to Ameriserve, our operating working capital reflects a net use of \$77 million in the quarter versus a net use of \$168 million in the prior year. The change versus the prior year is primarily attributable to larger reductions in accrued compensation and casualty loss reserves than in the first quarter of 1999.

Cash used in investing activities was \$100 million in the first quarter of 2000 compared to cash provided of \$42 million in the first quarter of 1999. The decline in cash flow from investing activities was primarily due to a net increase in short-term investments of \$59 million, a decrease in proceeds from refranchising of \$38 million and \$31 million advanced to AmeriServe under the DIP Facility which is more fully discussed in Note 8.

Cash provided by financing activities in the quarter was \$131 million compared to cash used in financing activities of \$77 million in the same quarter last year. The cash provided was primarily due to increased borrowing under our credit facilities to fund share repurchases as more fully discussed in Note 9 and to finance certain items associated with the AmeriServe bankruptcy as more fully discussed in Note 8.

Through April 25, 2000, we have repurchased over 800,000 shares for approximately \$25 million since the end of the first quarter of 2000.

Financing Activities

Our primary bank credit agreement, as amended in February 2000, is comprised of a senior, unsecured Term Loan Facility and a \$3 billion senior unsecured Revolving Credit Facility (collectively referred to as the "Credit Facilities") which mature on October 2, 2002. Amounts outstanding under our Revolving Credit Facility are expected to fluctuate from time to time, but reductions to our Term Loan Facility cannot be reborrowed. During the 12 weeks ended March 18, 2000, we had net borrowings of over \$160 million. The increase was due in part to incremental borrowings of approximately \$195 million to finance certain programs associated with the AmeriServe bankruptcy. The increase was also due to the current share repurchase program, which is more fully discussed in Note 9. Our borrowing needs were reduced by the payments we withheld related to the Pre-petition Payables to AmeriServe totaling \$100 million. See Note 8 for a discussion of the AmeriServe bankruptcy. We reduced our amount outstanding under the Term Loan Facility at March 18, 2000 to \$742 million from \$774 million at year-end 1999. Our amount outstanding under the Revolving Credit Facility at March 18, 2000 increased to \$1.15 billion from \$955 million at year-end 1999. In addition, we had unused Revolving Credit Facility borrowings available aggregating \$1.7 billion, net of outstanding letters of credit of \$182 million. We believe that we will be able to replace or refinance our Credit Facilities with another form of borrowing including a new credit facility or publicly issued debt, depending on market conditions or terms available at that time. We currently believe we will be able to replace or refinance the Credit Facilities prior to the maturity date.

The remaining change in total debt was primarily due to an increase in short-term International borrowings, which were repaid early in the second quarter of 2000, and the issuance of a short-term promissory note to acquire temporary control of an unconsolidated affiliate.

This substantial indebtedness subjects us to significant interest expense and principal repayment obligations, which are limited in the near term, to prepayment events as defined in the credit agreement. Interest on the Credit Facilities is based principally on the London Interbank Offered Rate ("LIBOR") plus a variable margin as defined in the credit agreement. Therefore, our future borrowing costs may fluctuate depending upon the volatility in LIBOR. We currently mitigate a portion of our interest rate risk through the use of derivative instruments. See our 1999 Form 10-K and our market risk discussion for further discussions of our interest rate risk.

We anticipate that our 2000 combined cash flow from operating and refranchising activities will be lower than 1999 levels primarily because of our expectations of reduced refranchising activity. However, we believe it will be sufficient to support our expected capital spending and still allow us to make required debt repayments and buy back shares under our current share repurchase program.

Consolidated Financial Condition

Assets increased \$411 million or 10% to \$4.4 billion. The increase is primarily attributable to the impact of the AmeriServe bankruptcy on our operations as more fully discussed in Note 8. Excluding this impact, assets increased \$108 million, primarily due to a temporary increase in short-term investments related to short-term borrowings in our International business, which were subsequently repaid in the second quarter of 2000.

Liabilities increased \$379 million or 8% to \$4.9 billion. The increase was partially attributable to the impact of the AmeriServe bankruptcy as more fully discussed in Note 8. Excluding this impact, liabilities increased \$171 million. This increase was driven by additional borrowings to fund our share repurchase program and short-term borrowings in our International business, which were subsequently repaid in the second quarter. This increase was partially offset by a reduction in accounts payable and incentive compensation accruals.

Excluding the impact of the AmeriServe bankruptcy, our working capital deficit decreased 13% to approximately \$720 million at March 18, 2000 from \$832 million at December 25, 1999. The decline was primarily due to a reduction in accounts payable related to seasonal timing and fewer Company restaurants as a result of our portfolio actions. The decrease was also due to a reduction in accrued compensation due to payment or deferral of bonuses to future years under one of our deferred compensation plans.

Quantitative and Qualitative Disclosures About Market Risk

Market Risk of Financial Instruments

Our primary market risk exposure with regard to financial instruments is to changes in interest rates, principally in the United States. In addition, an immaterial portion of our debt is denominated in foreign currencies which exposes us to market risk associated with exchange rate movements. Historically, we have used derivative financial instruments on a limited basis to manage our exposure to foreign currency rate fluctuations since the market risk associated with our foreign currency denominated debt was not considered significant.

At March 18, 2000, a hypothetical 100 basis point increase in short-term interest rates would result in a reduction of \$15 million in annual pre-tax earnings. The estimated reduction is based upon the unhedged portion of our variable rate debt and assumes no change in the volume or composition of debt at March 18, 2000. In addition, the fair value of our interest rate derivative contracts would increase approximately \$5 million in value to us, and the fair value of our Senior Unsecured Notes would decrease approximately \$27 million. Fair value was determined by discounting the projected cash flows.

Cautionary Statements

From time to time, in both written reports and oral statements, we present "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements include those identified by such words as "may," "will," "expect," "anticipate," "believe," "plan" and other similar terminology. These "forward-looking statements" reflect our current expectations and are based upon data available at the time of the statements. Actual results involve risks and uncertainties, including both those specific to the Company and those specific to the industry, and could differ materially from expectations.

Company risks and uncertainties include, but are not limited to, the limited experience of our management group in operating the Company as an independent, publicly-owned business; potentially substantial tax contingencies related to the Spin-off, which, if they occur, require us to indemnify PepsiCo, Inc.; our substantial debt leverage and the attendant potential restriction on our ability to borrow in the future, as well as the substantial interest expense and principal repayment obligations; potential unfavorable variances between estimated and actual liabilities including accruals for wage and hour litigation and the liabilities related to the sale of the non-core businesses; the ongoing business viability of our key distributor of restaurant products and equipment in the United States and our ability to ensure adequate supply of restaurant products and equipment in our stores at competitive rates; our ability to complete our conversion plans or the ability of our key suppliers to be Euro-compliant; our potential inability to identify qualified franchisees to purchase restaurants at prices we consider appropriate under our strategy to reduce the percentage of system units we operate; volatility of actuarially-determined casualty loss estimates and adoption of new or changes in accounting policies and practices.

Industry risks and uncertainties include, but are not limited to, global and local business, economic and political conditions; legislation and governmental regulation; competition; success of operating initiatives and advertising and promotional efforts; volatility of commodity costs and increases in minimum wage and other operating costs; availability and cost of land and construction; consumer preferences, spending patterns and demographic trends; political or economic instability in local markets; and currency exchange rates.

Independent Accountants' Review Report

The Board of Directors
TRICON Global Restaurants, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of TRICON Global Restaurants, Inc. and Subsidiaries ("TRICON") as of March 18, 2000 and the related condensed consolidated statements of income and cash flows for the twelve weeks ended March 18, 2000 and March 20, 1999. These financial statements are the responsibility of TRICON's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of TRICON as of December 25, 1999, and the related consolidated statements of operations, cash flows and shareholders' (deficit) equity and comprehensive income for the year then ended not presented herein; and in our report dated February 8, 2000, except as to Note 11, which is as of February 25, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 25, 1999, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP
Louisville, Kentucky
April 25, 2000

PART II - OTHER INFORMATION AND SIGNATAURES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Index

EXHIBITS

Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Letter from KPMG LLP regarding Unaudited Interim Financial Information (Accountants' Acknowledgment)
Exhibit 27	Financial Data Schedule

(b) Reports on Form 8-K

We filed a Current Report on Form 8-K dated January 31, 2000 attaching a press release addressing the bankruptcy filing of AmeriServe, our primary distributor of food and dry goods in the U.S., and announcing that anticipated fourth quarter and full-year ongoing operating EPS will exceed consensus estimates.

We filed a Current Report on Form 8-K dated February 10, 2000 attaching our fourth quarter and fiscal year ended December 25, 1999 earnings release dated February 9, 2000.

SIGNATURES

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

TRICON GLOBAL RESTAURANTS, INC.

(Registrant)

Date: May 1, 2000

/s/ Robert L. Carleton

Senior Vice President and Controller
(Principal Accounting Officer)

EXHIBIT 12

TRICON Global Restaurants, Inc.

Ratio of Earnings to Fixed Charges Years Ended 1999-1995 and 12 Weeks Ended March 18, 2000 and March 20, 1999

(in millions except ratio amounts)

	52 Weeks					12 Weeks Ended	
	1999	1998	1997	1996	1995	3/18/00	3/20/99
Earnings:							
Pretax income from continuing operations before cumulative effect of accounting changes(a)	1,038	756	(35)	72	(103)	201	184
Minorities interests in consolidated subsidiaries	-	-	-	(1)	-	-	-
Unconsolidated affiliates' interests, net(a)	(12)	(10)	(3)	(6)	26	(7)	(6)
Interest expense(a)	218	291	290	310	368	45	56
Interest portion of net rent expense(a)	94	105	118	116	109	19	21
Earnings available for fixed charges	1,338	1,142	370	491	400	258	255
Fixed Charges:							
Interest Expense(a)	218	291	290	310	368	45	56
Interest portion of net rent expense(a)	94	105	118	116	109	19	21
Total Fixed Charges	312	396	408	426	477	64	77
Ratio of Earnings to Fixed Charges(b)(c)	4.29x	2.88x	0.91x	1.15x	0.84x	4.03x	3.31x

(a) Included in earnings for the years 1995 through 1997 are certain allocations related to overhead costs and interest expense from PepsiCo. For purposes of these ratios, earnings are calculated by adding to (subtracting from) pretax income from continuing operations before income taxes and cumulative effect of accounting changes the following: fixed charges, excluding capitalized interest; (minority interests in consolidated subsidiaries); (equity income (loss) from unconsolidated affiliates); and distributed income from unconsolidated affiliates. Fixed charges consist of interest on borrowings, the allocation of PepsiCo's interest expense for years 1995-1997 and that portion of rental expense that approximates interest. For a description of the PepsiCo allocations, see the Notes to the Consolidated Financial Statements included in our 1999 Form 10-K.

(b) Included the impact of unusual items of \$4 million (\$2 million after-tax) for the 12 weeks ended March 18, 2000, \$51 million (\$29 million after-tax) in 1999, \$15 million (\$3 million after-tax) in 1998, \$184 million (\$165 million after tax) in 1997, \$246 million (\$189 million after tax) in 1996 and \$457 million (\$324 million after tax) in 1995. Excluding the impact of such charges, the ratio of earnings to fixed charges would have been 4.09x, 4.45x, 2.92x, 1.36x, 1.73x and 1.80x for the 12 weeks ended March 18, 2000 and the fiscal years ended 1999, 1998, 1997, 1996 and 1995, respectively.

(c) For the fiscal years December 27, 1997 and December 30, 1995, earnings were insufficient to cover fixed charges by approximately \$38 million and \$77 million, respectively. Earnings in 1997 includes a charge of \$530 million (\$425 million after-tax) taken in the fourth quarter to refocus our business. Earnings in 1995 included the noncash charge of \$457 million (\$324 million after-tax) for the initial adoption of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

EXHIBIT 15

Accountants' Acknowledgment

The Board of Directors
TRICON Global Restaurants, Inc.:

We hereby acknowledge our awareness of the use of our report dated April 25, 2000 included within the Quarterly Report on Form 10-Q of TRICON Global Restaurants, Inc. for the twelve weeks ended March 18, 2000, and incorporated by reference in the following Registration Statements:

Description	Registration Statement Number
Form S-3/A Initial Public Offering of Debt Securities	333-42969
Form S-8s TRICON Restaurants Puerto Rico, Inc. Save-Up Plan	333-85069
Restaurant Deferred Compensation Plan	333-36877
Executive Income Deferral Program	333-36955
TRICON Long-Term Incentive Plan	333-36895
SharePower Stock Option Plan	333-36961
TRICON Long-Term Savings Program	333-36893
Restaurant General Manager Stock Option Plan	333-64547

TRICON Global Restaurants, Inc. Long Term Incentive Plan 333-32052

Pursuant to Rule 436(c) of the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

*Louisville, Kentucky
May 1, 2000*

ARTICLE 5

This schedule contains summary financial information extracted from TRICON Global Restaurants, Inc. Condensed Consolidated Financial Statements for the 12 Weeks Ended March 18, 2000 and is qualified in its entirety by reference to such financial statements.

CIK: 0001041061

NAME: TRICON Global Restaurants, Inc.

MULTIPLIER: 1,000,000

CURRENCY: U.S. Dollars

PERIOD TYPE	3 mos
FISCAL YEAR END	Dec 30 2000
PERIOD START	Dec 26 1999
PERIOD END	Mar 18 2000
EXCHANGE RATE	1.000
CASH	102
SECURITIES	122
RECEIVABLES	401
ALLOWANCES	15
INVENTORY	137
CURRENT ASSETS	889
PP&E	4,789
DEPRECIATION	2,261
TOTAL ASSETS	4,372
CURRENT LIABILITIES	1,495
BONDS	2,583
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	1,176
OTHER SE	(1,704)
TOTAL LIABILITY AND EQUITY	4,372
SALES	1,425
TOTAL REVENUES	1,597
CGS	851
TOTAL COSTS	1,224
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	41
INCOME PRETAX	201
INCOME TAX	81
INCOME CONTINUING	120
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	120
EPS BASIC	.81
EPS DILUTED	.80

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.