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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

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**FORM 8-K**

CURRENT REPORT

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

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

**October 7, 2014**

**Commission file number 1-13163**

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**YUM! BRANDS, 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  
(Address of principal executive offices)

40213  
(Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition

On October 7, 2014, YUM! Brands, Inc. ("YUM") issued a press release announcing financial results for the quarter ended September 6, 2014. The Company also reduced its full-year 2014 EPS expectations. A copy of the press release is attached hereto as Exhibit 99.1.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

|      |  |
|------|--|
| (c)  | Exhibits   |
| 99.1 | Press Release dated October 7, 2014 from YUM! Brands, Inc. |

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SIGNATURE

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

YUM! BRANDS, INC.

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(Registrant)

Date: October 7, 2014

/s/ David E. Russell

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Vice President, Finance and  
Corporate Controller  
(Principal Accounting Officer)



# NEWS



Steve Schmitt

*Vice President, Investor Relations & Corporate Strategy*

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## **Yum! Brands Reports Third-Quarter EPS Growth of 3%, Excluding Special Items; Soft China Sales Reduce 2014 Full-Year EPS Expectations**

**Louisville, KY (October 7, 2014)** - Yum! Brands, Inc. (NYSE: YUM) today reported results for the third quarter ended September 6, 2014, including EPS of \$0.87, excluding Special Items. Reported EPS was \$0.89. The Company now estimates 2014 EPS growth to be between 6% and 10% versus prior year, excluding Special Items.

### **THIRD-QUARTER HIGHLIGHTS**

- Worldwide system sales grew 1%. Worldwide restaurant margin decreased 2.7 percentage points to 14.9%, and worldwide operating profit decreased 12%.
- Total international development was 400 new restaurants; 77% of this development occurred in emerging markets.
- China Division system sales declined 9%, as 6% unit growth was offset by a 14% same-store sales decline. Restaurant margin decreased 4.6 percentage points to 14.9%. Operating profit decreased 38%.
- KFC Division system sales increased 6%, driven by 2% unit growth and 3% same-store sales growth. Restaurant margin increased 1.0 percentage point to 13.4%. Operating profit increased 16%.
- Pizza Hut Division system sales were even, as 2% unit growth was offset by a 1% same-store sales decline. Restaurant margin decreased 1.0 percentage point to 8.9%. Operating profit decreased 2%.
- Taco Bell Division system sales increased 4%, driven by 2% unit growth and 3% same-store sales growth. Restaurant margin increased 1.8 percentage points to 20.7%. Operating profit increased 14%.
- India Division system sales increased 14%, driven by 26% unit growth which was partially offset by a 4% same-store sales decline.
- Worldwide effective tax rate decreased to 22.4% from 33.1%, benefiting EPS by 14 percentage points.
- Foreign currency translation negatively impacted operating profit by \$6 million.
- On September 10, 2014, the Company announced an 11% increase in its quarterly dividend, marking the tenth consecutive year the dividend increased at a double-digit percentage rate.

|  | <u>Third Quarter</u> |             |                 | <u>Year-to-Date</u> |             |                 |
|--|----------------------|-------------|-----------------|---------------------|-------------|-----------------|
|  | <u>2014</u>          | <u>2013</u> | <u>% Change</u> | <u>2014</u>         | <u>2013</u> | <u>% Change</u> |
| EPS Excluding Special Items            | \$0.87               | \$0.85      | 3%              | \$2.48              | \$2.11      | 17%             |
| Special Items Gain/(Loss) <sup>1</sup> | \$0.02               | \$(0.52)    | NM              | \$0.02              | \$(0.45)    | NM              |
| EPS                                    | \$0.89               | \$0.33      | 171%            | \$2.50              | \$1.66      | 50%             |

See Reconciliation of Non-GAAP Measurements to GAAP Results for further detail of the Special Items. Special Items for 2014 are primarily related to U.S. refranchising gains. Special Items for 2013 are primarily related to the impairment of Little Sheep and U.S. refranchising gains.

*Note* : All comparisons are versus the same period a year ago and exclude Special Items unless noted. System sales and operating profit figures on this page exclude foreign currency translation.

*Yum! Brands, Inc. • 1900 Colonel Sanders Lane • Louisville, KY 40213  
Tel 502 874-8006 • Fax 502 874-2410 • Web Site [www.yum.com/investors](http://www.yum.com/investors)*

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## **CHINA UPDATE**

On July 20th, an undercover report was televised in China depicting improper food handling practices by supplier Shanghai Hushi, a division of OSI, which is a large, global supplier to many in the restaurant industry. This triggered extensive news coverage in China that has shaken consumer confidence and impacted brand usage. Subsequently, the Shanghai FDA launched an investigation into this matter, alleging illegal activity by OSI. Upon learning of these events, we terminated our relationship with OSI globally, with minimal disruption to our menu offerings in China. Even though OSI was a minor supplier, sales at KFC and Pizza Hut were disproportionately impacted given our category-leading positions. While sales are rebounding, they continue to be negative. Our brands have proven resilient over time and we expect this to be the case with this situation as well.

## **REVISED 2014 OUTLOOK**

It is difficult to confidently forecast the exact trajectory of China sales. In our experience, sales typically take six to nine months to recover from these types of events. With the assumption that China same-store sales continue to improve, but are negative for the fourth-quarter, we now estimate 2014 EPS growth to be between 6% and 10% versus prior year, excluding Special Items.

## **DAVID NOVAK COMMENTS**

David C. Novak, Chairman and CEO said, "I'm absolutely confident in Yum! Brands' ability to deliver strong, sustainable growth in the years ahead despite the recent supplier incident in China, which has significantly impacted China sales, leading us to reduce our full-year EPS outlook.

China sales are on the path to recovery and we expect to develop at least 700 new restaurants in China this year, which we're confident will ultimately deliver high returns as we further capitalize on the world's fastest growing consuming class. Outside of China, we expect continued solid sales and profit growth at our KFC division, led by strong international performance and improving U.S. results. At Taco Bell, we're extremely pleased with restaurant margins of nearly 21% in the quarter and the overall results of our breakfast offering, which has given us a new growth platform to build upon in the years to come. At Pizza Hut, we are making progress with our U.S. turnaround and have major actions in place to drive same-store sales growth balance of year and beyond.

Overall, our business model is compelling and we firmly believe we are building momentum behind major initiatives around the world that will drive strong sales and profit growth in 2015. We remain focused on the three keys to driving shareholder value: new-unit development, same-store sales growth and generating high returns on invested capital."

## CHINA DIVISION

|                                 | <u>Third Quarter</u> |             |                 |               | <u>Year-to-Date</u> |             |                 |               |
|---------------------------------|----------------------|-------------|-----------------|---------------|---------------------|-------------|-----------------|---------------|
|                                 | <u>2014</u>          | <u>2013</u> | <u>Reported</u> | <u>Ex F/X</u> | <u>2014</u>         | <u>2013</u> | <u>Reported</u> | <u>Ex F/X</u> |
| System Sales Growth             |                      |             | (10)            | (9)           |                     |             | +7              | +7            |
| Same-Store Sales Growth (%)     | (14)                 | (11)        | NM              | NM            | +1                  | (16)        | NM              | NM            |
| Franchise & License Fees (\$MM) | 31                   | 32          | (7)             | (6)           | 80                  | 70          | +14             | +14           |
| Restaurant Margin (%)           | 14.9                 | 19.5        | (4.6)           | (4.5)         | 17.9                | 16.0        | 1.9             | 1.9           |
| Operating Profit (\$MM)         | 202                  | 335         | (40)            | (38)          | 681                 | 557         | +22             | +22           |

*Our new 2014 reporting structure does not impact the China Division. For the full year 2013, China Division contributed 35% of Yum!'s total operating profit.*

- **China Division** same-store sales for the quarter were significantly impacted by adverse publicity in July surrounding improper food handling practices by a former supplier.
- China Division system sales decreased 9%, prior to foreign currency translation.
  - System sales declined 11% for KFC and increased 3% for Pizza Hut Casual Dining.
  - Same-store sales declined 14%, including declines of 14% at KFC and 11% at Pizza Hut Casual Dining.
- China Division opened 125 new units during the quarter.

| <b>China Units</b>       | <b>Q3 2014</b> | <b>% Change <sup>2</sup></b> |
|--------------------------|----------------|------------------------------|
| Restaurants <sup>1</sup> | 6,419          | +6                           |
| KFC                      | 4,669          | +5                           |
| Pizza Hut                |                |                              |
| Casual Dining            | 1,171          | +23                          |
| Home Service             | 226            | +22                          |

<sup>1</sup>Total includes East Dawning and Little Sheep units.

<sup>2</sup>Represents year-over-year change.

- Restaurant margin decreased 4.6 percentage points to 14.9%, driven by sales deleverage, the corresponding impact to food and labor efficiencies, and inventory write-offs.
  - Excluding the impact of Little Sheep, restaurant margin would have been 15.9%.
- Operating profit declined 38%, prior to foreign currency translation.
- Foreign currency translation negatively impacted operating profit by \$5 million.
- Consistent with prior years, China Division's third quarter, which is a period of high seasonality, includes June, July and August results.

## KFC DIVISION

|                                 | Third Quarter |        |          |        | Year-to-Date |        |          |        |
|---------------------------------|---------------|--------|----------|--------|--------------|--------|----------|--------|
|                                 | 2014          | 2013   | % Change |        | 2014         | 2013   | % Change |        |
|                                 |               |        | Reported | Ex F/X |              |        | Reported | Ex F/X |
| Restaurants <sup>1</sup>        | 13,961        | 13,743 | +2       | NA     | 13,961       | 13,743 | +2       | NA     |
| System Sales Growth             |               |        | +6       | +6     |              |        | +2       | +5     |
| Same-Store Sales Growth (%)     | +3            | Even   | NM       | NM     | +2           | +1     | NM       | NM     |
| Franchise & License Fees (\$MM) | 205           | 190    | +8       | +9     | 596          | 580    | +3       | +6     |
| Restaurant Margin (%)           | 13.4          | 12.4   | 1.0      | 0.9    | 13.1         | 12.7   | 0.4      | 0.3    |
| Operating Profit (\$MM)         | 169           | 147    | +16      | +16    | 487          | 457    | +7       | +10    |
| Operating Margin (%)            | 21.9          | 20.8   | 1.1      | 1.3    | 22.2         | 22.1   | 0.1      | 0.4    |

<sup>1</sup> Restaurant counts now reflect licensed units.

*KFC is a new reporting division for 2014 and includes all KFC results outside of the China and India divisions. For the full year 2013, KFC Division contributed 29% of Yum!'s total operating profit, 91% of which was generated outside the U.S. This division is 91% franchised.*

- **KFC Division** system sales increased 6%, excluding foreign currency translation.
  - International system sales grew 12% in emerging markets and 6% in developed markets. U.S. system sales were even.
  - International same-store sales grew 4% in emerging markets and 3% in developed markets. U.S. same-store sales grew 2%.
- KFC Division opened 144 new international restaurants in 41 countries. This included 103 units in emerging markets.
  - 81% of these new units were opened by franchisees.
- Operating profit increased 16%. Operating profit growth was positively impacted 2 percentage points from the overlap of prior year expenses related to the bi-annual franchisee convention.
- Operating margin increased 1.3 percentage points, driven by same-store sales growth.
- Foreign currency translation negatively impacted operating profit by \$1 million.

| KFC MARKETS <sup>1</sup>                     | Percent of KFC System Sales <sup>2</sup> | SYSTEM Sales Growth Ex F/X |                  |
|--|--|----------------------------|------------------|
|  |  | Third Quarter (%)          | Year-to-Date (%) |
| <b>Emerging Markets</b>                      |  |                            |                  |
| Asia (e.g. Malaysia, Indonesia, Philippines) | 8%                                       | +6                         | +5               |
| Africa <sup>3</sup>                          | 7%                                       | +11                        | +11              |
| Latin America (e.g. Mexico, Peru)            | 6%                                       | +6                         | +7               |
| Middle East / North Africa                   | 6%                                       | +9                         | +11              |
| Russia                                       | 3%                                       | +36                        | +40              |
| Thailand                                     | 3%                                       | +12                        | +8               |
| Continental Europe (e.g. Poland)             | 2%                                       | +10                        | +10              |
| <b>Developed Markets</b>                     |  |                            |                  |
| U.S.   | 25%                                      | Even                       | (3)              |
| Asia (e.g. Japan, Korea, Taiwan)             | 11%                                      | +4                         | +3               |
| Australia                                    | 10%                                      | +5                         | +4               |
| U.K.   | 8%                                       | +9                         | +11              |
| Continental Europe (e.g. France, Germany)    | 6%                                       | +6                         | +7               |
| Canada                                       | 4%                                       | (3)                        | (2)              |
| Latin America (e.g. Puerto Rico)             | 1%                                       | (4)                        | (3)              |

<sup>1</sup> See website [www.yum.com](http://www.yum.com) under tab "Investors" for a list of the countries within each of the markets.

<sup>2</sup> Reflects Full Year 2013.

<sup>3</sup> Starting in 2014, Africa market includes Mauritius results. For comparability purposes, systems sales growth excludes Mauritius.



## PIZZA HUT DIVISION

|                                 | <u>Third Quarter</u> |             |                 |               | <u>Year-to-date</u> |             |                 |               |
|---------------------------------|----------------------|-------------|-----------------|---------------|---------------------|-------------|-----------------|---------------|
|                                 | <u>2014</u>          | <u>2013</u> | <u>% Change</u> |               | <u>2014</u>         | <u>2013</u> | <u>% Change</u> |               |
|                                 |                      |             | <u>Reported</u> | <u>Ex F/X</u> |                     |             | <u>Reported</u> | <u>Ex F/X</u> |
| Restaurants <sup>1</sup>        | 13,393               | 13,120      | +2              | NA            | 13,393              | 13,120      | +2              | NA            |
| System Sales Growth             |                      |             | Even            | Even          |                     |             | (1)             | Even          |
| Same-Store Sales Growth (%)     | (1)                  | (1)         | NM              | NM            | (2)                 | (1)         | NM              | NM            |
| Franchise & License Fees (\$MM) | 124                  | 124         | Even            | Even          | 374                 | 376         | (1)             | Even          |
| Restaurant Margin (%)           | 8.9                  | 9.9         | (1.0)           | (1.1)         | 9.0                 | 12.8        | (3.8)           | (4.0)         |
| Operating Profit (\$MM)         | 68                   | 71          | (2)             | (2)           | 215                 | 250         | (14)            | (13)          |
| Operating Margin (%)            | 26.1                 | 26.7        | (0.6)           | (0.4)         | 27.1                | 31.3        | (4.2)           | (4.1)         |

<sup>1</sup> Restaurant counts now reflect licensed units.

*Pizza Hut is a new reporting division for 2014 and includes all Pizza Hut results outside of the China and India divisions. For the full year 2013, Pizza Hut Division contributed 15% of Yum!'s total operating profit, 54% of which was generated in the U.S. This division is 94% franchised.*

- **Pizza Hut Division** system sales were even.
  - International system sales grew 6% in emerging markets and were even in developed markets. U.S. system sales declined 2%.
  - International same-store sales grew 3% in emerging markets and declined 1% in developed markets. U.S. same-store sales declined 2%.
- Pizza Hut Division opened 152 new restaurants, including 102 international units and 50 U.S. units. This included 54 units in emerging markets.
  - 85% of these new units were opened by franchisees.
- Operating profit declined 2%. Operating profit growth was positively impacted 4 percentage points from the overlap of prior year expenses related to the bi-annual franchisee convention.
- Operating margin declined 0.4 percentage points, driven by sales deleverage.
- Foreign currency translation had a negligible impact on operating profit.

| PIZZA HUT MARKETS <sup>1</sup>               | Percent of Pizza Hut System Sales <sup>2</sup> | SYSTEM Sales Growth Ex F/X |                  |
|--|--|----------------------------|------------------|
|  |  | Third Quarter (%)          | Year-to-Date (%) |
| <b>Emerging Markets</b>                      |  |                            |                  |
| Latin America (e.g. Mexico, Peru)            | 6%   | +9                         | +9               |
| Asia (e.g. Malaysia, Indonesia, Philippines) | 5%   | +3                         | +6               |
| Middle East / North Africa                   | 5%   | +4                         | +3               |
| Continental Europe (e.g. Poland)             | 1%   | +5                         | +5               |
| <b>Developed Markets</b>                     |  |                            |                  |
| U.S.   | 55%  | (2)                        | (2)              |
| Asia (e.g. Japan, Korea, Taiwan)             | 10%  | (1)                        | (1)              |
| U.K.   | 6%   | +1                         | Even             |
| Continental Europe (e.g. France, Germany)    | 5%   | +4                         | +3               |
| Australia                                    | 3%   | (1)                        | Even             |
| Canada                                       | 3%   | (1)                        | Even             |
| Latin America (e.g. Puerto Rico)             | 1%   | (8)                        | (6)              |

<sup>1</sup> See website [www.yum.com](http://www.yum.com) under tab "Investors" for a list of the countries within each of the markets.

<sup>2</sup> Reflects Full Year 2013.

## TACO BELL DIVISION

|                                 | <u>Third Quarter</u> |             |                 |               | <u>Year-to-Date</u> |             |                 |               |
|---------------------------------|----------------------|-------------|-----------------|---------------|---------------------|-------------|-----------------|---------------|
|                                 | <u>2014</u>          | <u>2013</u> | <u>% Change</u> |               | <u>2014</u>         | <u>2013</u> | <u>% Change</u> |               |
|                                 |                      |             | <u>Reported</u> | <u>Ex F/X</u> |                     |             | <u>Reported</u> | <u>Ex F/X</u> |
| Restaurants <sup>1</sup>        | 6,109                | 6,003       | +2              | NA            | 6,109               | 6,003       | +2              | NA            |
| System Sales Growth             |                      |             | +4              | +4            |                     |             | +3              | +3            |
| Same-Store Sales Growth (%)     | +3                   | +2          | NM              | NM            | +1                  | +3          | NM              | NM            |
| Franchise & License Fees (\$MM) | 99                   | 95          | +4              | +4            | 281                 | 274         | +2              | +3            |
| Restaurant Margin (%)           | 20.7                 | 18.9        | 1.8             | 1.8           | 18.1                | 19.2        | (1.1)           | (1.1)         |
| Operating Profit (\$MM)         | 124                  | 109         | +14             | +14           | 317                 | 320         | (1)             | (1)           |
| Operating Margin (%)            | 28.1                 | 25.0        | 3.1             | 3.1           | 24.9                | 24.2        | 0.7             | 0.7           |

<sup>1</sup> Restaurant counts now reflect licensed units.

*Taco Bell is a new reporting division for 2014, which includes all Taco Bell results outside of the India division. For the full year 2013, Taco Bell Division contributed 21% of Yum!'s total operating profit, 97% of which was generated in the U.S. This division is 85% franchised.*

- **Taco Bell Division** system sales increased 4%.
  - U.S. same-store sales grew 3%, driven by breakfast sales.
- Taco Bell Division opened 48 new restaurants; 42 of these new units were opened by franchisees.
- Restaurant margin was 20.7%, an increase of 1.8 percentage points, driven by same-store sales growth.
- Operating margin increased 3.1 percentage points.

## INDIA DIVISION

- **India Division** system sales increased 14%, prior to foreign currency translation, driven by 26% unit growth. Same-store sales declined 4%.
- Operating loss was \$3 million, an improvement of \$1 million versus prior year.
- Effective the beginning of 2014, results from our 28 franchised stores in Mauritius are no longer included in the India Division and are included in the KFC and Pizza Hut Divisions, as applicable. India unit and system sales growth as shown here exclude Mauritius from the prior year amounts to enhance comparability.

| <b>India Units</b>       | <b>Q3 2014</b> | <b>% Change <sup>2</sup></b> |
|--------------------------|----------------|------------------------------|
| Restaurants <sup>1</sup> | 736            | +26                          |
| KFC                      | 345            | +25                          |
| Pizza Hut                |                |                              |
| Casual Dining            | 182            | +5                           |
| Home Service             | 204            | +55                          |

<sup>1</sup> Total includes 5 Taco Bell units.

<sup>2</sup> Represents year-over-year change.

## TAX / SHARE REPURCHASE UPDATE

- During the quarter an agreement was reached with the IRS on a previously disclosed issue related to the valuation of intangible assets. As a result of this agreement, we closed out our 2004-2006 audit cycle and made a cash payment to the IRS of \$120 million, which was effectively fully reserved, to settle all issues. The agreement also covers claims made by the IRS related to the same valuation issue for years 2007-2013. We anticipate making further cash payments, for which we are fully reserved, of lesser amounts with respect to these years.
  - Our effective tax rate before special items in the third quarter of 2013 included higher reserve amounts recorded for this

issue. We now estimate our full year 2014 effective tax rate before special items will be between 25% and 26%.

- Year-to-date through October 6, 2014, we repurchased 6.8 million shares totaling \$510 million at an average price of \$75.

## **CONFERENCE CALL**

Yum! Brands, Inc. will host a conference call to review the company's financial performance and strategies at 9:15 a.m. Eastern Time Wednesday, October 8, 2014. The number is 877/815-2029 for U.S. callers and 706/645-9271 for international callers.

The call will be available for playback beginning at 12:45 p.m. Eastern Time Wednesday, October 8, through midnight Monday, November 3, 2014. To access the playback, dial 855/859-2056 in the United States and 404/537-3406 internationally. The playback pass code is 10524298.

The webcast and the playback can be accessed via the internet by visiting Yum! Brands' website, [www.yum.com/investors](http://www.yum.com/investors) and selecting "Q3 2014 Earnings Conference Call" under "Investment Events." A podcast will be available within 24 hours.

## **ADDITIONAL INFORMATION ONLINE**

Quarter end dates for each division, restaurant-count details and definitions of terms are available online at [www.yum.com](http://www.yum.com) under "Investors".

This announcement, any related announcements and the related webcast may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Our forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected. Factors that can cause our actual results to differ materially include, but are not limited to: food safety and food borne-illness issues; changes in economic conditions, consumer preferences, tax rates and laws and the regulatory environment, as well as increased competition and other risks in China, where a significant and growing portion of our restaurants are located; changes in economic and political conditions in the other countries outside the U.S. where we operate; the impact or threat of any widespread illness or outbreaks of viruses or other diseases; our ability to protect the integrity and security of individually identifiable data of our customers and employees; our ability to secure and maintain distribution and adequate supply to our restaurants; the success of our international development strategy; commodity, labor and other operating costs; the continued viability and success of our franchise and license operators; consumer preferences and perceptions of our brands; the impact of social media; a potential suspension of the Chinese affiliate of our independent auditor; pending or future litigation and legal claims or proceedings; changes in or noncompliance with government regulations; tax matters, including disagreements with taxing authorities; significant changes in global economic conditions, including consumer spending, consumer confidence and unemployment; and competition within the retail food industry, including with respect to price and quality of food products, new product development, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K) for additional detail about factors that could affect our financial and other results. Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We are not undertaking to update any of these statements.

Yum! Brands, Inc., based in Louisville, Kentucky, has over 40,000 restaurants in more than 125 countries and territories. Yum! is ranked #216 on the Fortune 500 List with revenues of over \$13 billion and in 2014 was named among the top 100 Corporate Citizens by Corporate Responsibility Magazine. The Company's restaurant brands - KFC, Pizza Hut and Taco Bell - are the global leaders of the chicken, pizza and Mexican-style food categories. Outside the United States, the Yum! Brands system opened over five new restaurants per day, making it a leader in international retail development.

Analysts are invited to contact

Steve Schmitt, Vice President Investor Relations & Corporate Strategy, at 888/298-6986

Donny Lau, Director Investor Relations, at 888/298-6986

Members of the media are invited to contact

Virginia Ferguson, Director Public Relations, at 502/874-8200

**YUM! Brands, Inc.**  
**Condensed Consolidated Summary of Results**  
(amounts in millions, except per share amounts)  
(unaudited)

|   | Quarter ended  |                | % Change<br>B/(W) | Year to date    |                | % Change<br>B/(W) |
|---|----------------|----------------|-------------------|-----------------|----------------|-------------------|
|   | 9/6/14         | 9/7/13         |                   | 9/6/14          | 9/7/13         |                   |
| Company sales                                   | \$ 2,891       | \$ 3,021       | (4)               | \$ 7,941        | \$ 7,594       | 5                 |
| Franchise and license fees and income           | 463            | 445            | 4                 | 1,341           | 1,311          | 2                 |
| Total revenues                                  | <u>3,354</u>   | <u>3,466</u>   | (3)               | <u>9,282</u>    | <u>8,905</u>   | 4                 |
| Company restaurant expenses                     |                |                |                   |                 |                |                   |
| Food and paper                                  | 951            | 996            | 5                 | 2,562           | 2,481          | (3)               |
| Payroll and employee benefits                   | 642            | 621            | (3)               | 1,755           | 1,701          | (3)               |
| Occupancy and other operating expenses          | 869            | 873            | —                 | 2,326           | 2,238          | (4)               |
| Company restaurant expenses                     | <u>2,462</u>   | <u>2,490</u>   | 1                 | <u>6,643</u>    | <u>6,420</u>   | (3)               |
| General and administrative expenses             | 323            | 327            | 1                 | 946             | 933            | (1)               |
| Franchise and license expenses                  | 42             | 44             | 6                 | 109             | 108            | (1)               |
| Closures and impairment (income) expenses       | 6              | 300            | 98                | 30              | 310            | 90                |
| Refranchising (gain) loss                       | (20)           | (38)           | (47)              | (27)            | (87)           | (69)              |
| Other (income) expense                          | (9)            | (7)            | 43                | (19)            | (6)            | NM                |
| Total costs and expenses, net                   | <u>2,804</u>   | <u>3,116</u>   | 10                | <u>7,682</u>    | <u>7,678</u>   | —                 |
| Operating Profit                                | 550            | 350            | 57                | 1,600           | 1,227          | 30                |
| Interest expense, net                           | 28             | 31             | 6                 | 90              | 94             | 4                 |
| Income before income taxes                      | 522            | 319            | 63                | 1,510           | 1,133          | 33                |
| Income tax provision                            | 119            | 182            | 35                | 370             | 384            | 4                 |
| Net income - including noncontrolling interests | 403            | 137            | 195               | 1,140           | 749            | 52                |
| Net income (loss) - noncontrolling interests    | (1)            | (15)           | 94                | 3               | (21)           | NM                |
| Net income - YUM! Brands, Inc.                  | <u>\$ 404</u>  | <u>\$ 152</u>  | 166               | <u>\$ 1,137</u> | <u>\$ 770</u>  | 48                |
| <u>Effective tax rate</u>                       | <u>22.7%</u>   | <u>57.2%</u>   | 34.5 pts.         | <u>24.5%</u>    | <u>33.9%</u>   | 9.4 pts.          |
| <u>Basic EPS Data</u>                           |                |                |                   |                 |                |                   |
| EPS   | <u>\$ 0.91</u> | <u>\$ 0.34</u> | 170               | <u>\$ 2.55</u>  | <u>\$ 1.70</u> | 50                |
| Average shares outstanding                      | <u>443</u>     | <u>451</u>     | 2                 | <u>445</u>      | <u>453</u>     | 2                 |
| <u>Diluted EPS Data</u>                         |                |                |                   |                 |                |                   |
| EPS   | <u>\$ 0.89</u> | <u>\$ 0.33</u> | 171               | <u>\$ 2.50</u>  | <u>\$ 1.66</u> | 50                |
| Average shares outstanding                      | <u>452</u>     | <u>461</u>     | 2                 | <u>455</u>      | <u>463</u>     | 2                 |
| Dividends declared per common share             | <u>\$ —</u>    | <u>\$ —</u>    |                   | <u>\$ 0.74</u>  | <u>\$ 0.67</u> |                   |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**CHINA DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|   | Quarter ended |               | % Change<br>B/(W) | Year to date  |               | % Change<br>B/(W) |
|---|---------------|---------------|-------------------|---------------|---------------|-------------------|
|   | 9/6/14        | 9/7/13        |                   | 9/6/14        | 9/7/13        |                   |
| Company sales                             | \$ 1,809      | \$ 2,001      | (10)              | \$ 4,848      | \$ 4,563      | 6                 |
| Franchise and license fees and income     | 31            | 32            | (7)               | 80            | 70            | 14                |
| Total revenues                            | <u>1,840</u>  | <u>2,033</u>  | (10)              | <u>4,928</u>  | <u>4,633</u>  | 6                 |
| Company restaurant expenses               |               |               |                   |               |               |                   |
| Food and paper                            | 598           | 664           | 10                | 1,547         | 1,508         | (3)               |
| Payroll and employee benefits             | 366           | 357           | (3)               | 944           | 907           | (4)               |
| Occupancy and other operating expenses    | <u>576</u>    | <u>591</u>    | 2                 | <u>1,488</u>  | <u>1,419</u>  | (5)               |
| Company restaurant expenses               | <u>1,540</u>  | <u>1,612</u>  | 4                 | <u>3,979</u>  | <u>3,834</u>  | (4)               |
| General and administrative expenses       | 95            | 88            | (7)               | 259           | 233           | (11)              |
| Franchise and license expenses            | 5             | 3             | (23)              | 11            | 8             | (31)              |
| Closures and impairment (income) expenses | 4             | 6             | 27                | 23            | 14            | (71)              |
| Other (income) expense                    | <u>(6)</u>    | <u>(11)</u>   | (45)              | <u>(25)</u>   | <u>(13)</u>   | 95                |
|   | <u>1,638</u>  | <u>1,698</u>  | 4                 | <u>4,247</u>  | <u>4,076</u>  | (4)               |
| Operating Profit                          | <u>\$ 202</u> | <u>\$ 335</u> | (40)              | <u>\$ 681</u> | <u>\$ 557</u> | 22                |
| Company sales                             | 100.0%        | 100.0%        |                   | 100.0%        | 100.0%        |                   |
| Food and paper                            | 33.1          | 33.2          | 0.1 ppts.         | 31.9          | 33.0          | 1.1 ppts.         |
| Payroll and employee benefits             | 20.2          | 17.8          | (2.4 ppts.)       | 19.5          | 19.9          | 0.4 ppts.         |
| Occupancy and other operating expenses    | <u>31.8</u>   | <u>29.5</u>   | (2.3 ppts.)       | <u>30.7</u>   | <u>31.1</u>   | 0.4 ppts.         |
| Restaurant margin                         | <u>14.9%</u>  | <u>19.5%</u>  | (4.6 ppts.)       | <u>17.9%</u>  | <u>16.0%</u>  | 1.9 ppts.         |
| Operating margin                          | <u>11.0%</u>  | <u>16.5%</u>  | (5.5 ppts.)       | <u>13.8%</u>  | <u>12.0%</u>  | 1.8 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**KFC DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|   | Quarter ended |               | % Change<br>B/(W) | Year to date  |               | % Change<br>B/(W) |
|---|---------------|---------------|-------------------|---------------|---------------|-------------------|
|   | 9/6/14        | 9/7/13        |                   | 9/6/14        | 9/7/13        |                   |
| Company sales                             | \$ 566        | \$ 514        | 10                | \$ 1,593      | \$ 1,486      | 7                 |
| Franchise and license fees and income     | 205           | 190           | 8                 | 596           | 580           | 3                 |
| Total revenues                            | <u>771</u>    | <u>704</u>    | 10                | <u>2,189</u>  | <u>2,066</u>  | 6                 |
| Company restaurant expenses               |               |               |                   |               |               |                   |
| Food and paper                            | 197           | 179           | (10)              | 555           | 518           | (7)               |
| Payroll and employee benefits             | 135           | 123           | (10)              | 384           | 356           | (8)               |
| Occupancy and other operating expenses    | 158           | 147           | (7)               | 445           | 423           | (5)               |
| Company restaurant expenses               | <u>490</u>    | <u>449</u>    | (9)               | <u>1,384</u>  | <u>1,297</u>  | (7)               |
| General and administrative expenses       | 91            | 88            | (4)               | 261           | 261           | —                 |
| Franchise and license expenses            | 20            | 20            | 3                 | 54            | 51            | (5)               |
| Closures and impairment (income) expenses | 1             | —             | NM                | 2             | —             | NM                |
| Other (income) expense                    | —             | —             | NM                | 1             | —             | NM                |
|   | <u>602</u>    | <u>557</u>    | (8)               | <u>1,702</u>  | <u>1,609</u>  | (6)               |
| Operating Profit                          | <u>\$ 169</u> | <u>\$ 147</u> | 16                | <u>\$ 487</u> | <u>\$ 457</u> | 7                 |
| Company sales                             | 100.0%        | 100.0%        |                   | 100.0%        | 100.0%        |                   |
| Food and paper                            | 34.8          | 34.9          | 0.1 ppts.         | 34.9          | 34.9          | —                 |
| Payroll and employee benefits             | 23.8          | 24.0          | 0.2 ppts.         | 24.1          | 23.9          | (0.2 ppts.)       |
| Occupancy and other operating expenses    | 28.0          | 28.7          | 0.7 ppts.         | 27.9          | 28.5          | 0.6 ppts.         |
| Restaurant margin                         | <u>13.4%</u>  | <u>12.4%</u>  | 1.0 ppts.         | <u>13.1%</u>  | <u>12.7%</u>  | 0.4 ppts.         |
| Operating margin                          | <u>21.9%</u>  | <u>20.8%</u>  | 1.1 ppts.         | <u>22.2%</u>  | <u>22.1%</u>  | 0.1 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**PIZZA HUT DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|   | Quarter ended |              | % Change<br>B/(W) | Year to date  |               | % Change<br>B/(W) |
|---|---------------|--------------|-------------------|---------------|---------------|-------------------|
|   | 9/6/14        | 9/7/13       |                   | 9/6/14        | 9/7/13        |                   |
| Company sales                             | \$ 140        | \$ 140       | —                 | \$ 422        | \$ 422        | —                 |
| Franchise and license fees and income     | 124           | 124          | —                 | 374           | 376           | (1)               |
| Total revenues                            | <u>264</u>    | <u>264</u>   | —                 | <u>796</u>    | <u>798</u>    | —                 |
| Company restaurant expenses               |               |              |                   |               |               |                   |
| Food and paper                            | 41            | 40           | (1)               | 126           | 119           | (6)               |
| Payroll and employee benefits             | 42            | 42           | 1                 | 129           | 127           | (2)               |
| Occupancy and other operating expenses    | <u>44</u>     | <u>44</u>    | (2)               | <u>129</u>    | <u>122</u>    | (6)               |
| Company restaurant expenses               | 127           | 126          | (1)               | 384           | 368           | (4)               |
| General and administrative expenses       | 58            | 54           | (4)               | 165           | 150           | (9)               |
| Franchise and license expenses            | 11            | 14           | 20                | 29            | 32            | 9                 |
| Closures and impairment (income) expenses | —             | (1)          | NM                | 2             | (1)           | NM                |
| Other (income) expense                    | <u>—</u>      | <u>—</u>     | NM                | <u>1</u>      | <u>(1)</u>    | NM                |
|   | 196           | 193          | (1)               | 581           | 548           | (6)               |
| Operating Profit                          | <u>\$ 68</u>  | <u>\$ 71</u> | (2)               | <u>\$ 215</u> | <u>\$ 250</u> | (14)              |
| Company sales                             | 100.0%        | 100.0%       |                   | 100.0%        | 100.0%        |                   |
| Food and paper                            | 29.1          | 28.7         | (0.4 pts.)        | 29.8          | 28.2          | (1.6 pts.)        |
| Payroll and employee benefits             | 30.5          | 30.7         | 0.2 pts.          | 30.6          | 30.2          | (0.4 pts.)        |
| Occupancy and other operating expenses    | <u>31.5</u>   | <u>30.7</u>  | (0.8 pts.)        | <u>30.6</u>   | <u>28.8</u>   | (1.8 pts.)        |
|   | <u>8.9%</u>   | <u>9.9%</u>  | (1.0 pts.)        | <u>9.0%</u>   | <u>12.8%</u>  | (3.8 pts.)        |
| Operating margin                          | <u>26.1%</u>  | <u>26.7%</u> | (0.6 pts.)        | <u>27.1%</u>  | <u>31.3%</u>  | (4.2 pts.)        |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**TACO BELL DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|   | Quarter ended |        | % Change<br>B/(W) | Year to date |          | % Change<br>B/(W) |
|---|---------------|--------|-------------------|--------------|----------|-------------------|
|   | 9/6/14        | 9/7/13 |                   | 9/6/14       | 9/7/13   |                   |
| Company sales                             | \$ 344        | \$ 340 | 1                 | \$ 992       | \$ 1,051 | (6)               |
| Franchise and license fees and income     | 99            | 95     | 4                 | 281          | 274      | 2                 |
| Total revenues                            | 443           | 435    | 1                 | 1,273        | 1,325    | (4)               |
| Company restaurant expenses               |               |        |                   |              |          |                   |
| Food and paper                            | 101           | 100    | —                 | 297          | 303      | 2                 |
| Payroll and employee benefits             | 95            | 96     | 2                 | 287          | 301      | 5                 |
| Occupancy and other operating expenses    | 78            | 80     | 3                 | 229          | 245      | 6                 |
| Company restaurant expenses               | 274           | 276    | 1                 | 813          | 849      | 4                 |
| General and administrative expenses       | 40            | 45     | 8                 | 128          | 138      | 6                 |
| Franchise and license expenses            | 4             | 6      | 21                | 13           | 15       | 10                |
| Closures and impairment (income) expenses | 1             | —      | 28                | 2            | 1        | (69)              |
| Other (income) expense                    | —             | (1)    | NM                | —            | 2        | NM                |
|   | 319           | 326    | 3                 | 956          | 1,005    | 5                 |
| Operating Profit                          | \$ 124        | \$ 109 | 14                | \$ 317       | \$ 320   | (1)               |
| Company sales                             | 100.0%        | 100.0% |                   | 100.0%       | 100.0%   |                   |
| Food and paper                            | 29.2          | 29.4   | 0.2 ppts.         | 29.9         | 28.9     | (1.0 ppts.)       |
| Payroll and employee benefits             | 27.6          | 28.2   | 0.6 ppts.         | 28.9         | 28.7     | (0.2 ppts.)       |
| Occupancy and other operating expenses    | 22.5          | 23.5   | 1.0 ppts.         | 23.1         | 23.2     | 0.1 ppts.         |
|   | 20.7%         | 18.9%  | 1.8 ppts.         | 18.1%        | 19.2%    | (1.1 ppts.)       |
| Operating margin                          | 28.1%         | 25.0%  | 3.1 ppts.         | 24.9%        | 24.2%    | 0.7 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**Condensed Consolidated Balance Sheets**  
(amounts in millions)

|  | (unaudited)     |                 |
|--|-----------------|-----------------|
|  | 9/6/14          | 12/28/13        |
| <b>ASSETS</b>  |                 |                 |
| <b>Current Assets</b>  |                 |                 |
| Cash and cash equivalents  | \$ 685          | \$ 573          |
| Accounts and notes receivable, less allowance: \$14 in 2014 and \$11 in 2013   | 373             | 319             |
| Inventories  | 266             | 294             |
| Prepaid expenses and other current assets  | 226             | 276             |
| Short-term investments   | 326             | 10              |
| Deferred income taxes  | 121             | 123             |
| Advertising cooperative assets, restricted   | 73              | 96              |
| <b>Total Current Assets</b>  | <b>2,070</b>    | <b>1,691</b>    |
| Property, plant and equipment, net of accumulated depreciation and amortization of \$3,620 in 2014 and \$3,391 in 2013 | 4,480           | 4,459           |
| Goodwill   | 886             | 889             |
| Intangible assets, net   | 622             | 638             |
| Investments in unconsolidated affiliates   | 58              | 53              |
| Other assets   | 561             | 566             |
| Deferred income taxes  | 500             | 399             |
| <b>Total Assets</b>  | <b>\$ 9,177</b> | <b>\$ 8,695</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                 |                 |
| <b>Current Liabilities</b>   |                 |                 |
| Accounts payable and other current liabilities   | \$ 1,771        | \$ 1,929        |
| Income taxes payable   | 196             | 169             |
| Short-term borrowings  | 72              | 71              |
| Advertising cooperative liabilities  | 73              | 96              |
| <b>Total Current Liabilities</b>   | <b>2,112</b>    | <b>2,265</b>    |
| Long-term debt   | 3,315           | 2,918           |
| Other liabilities and deferred credits   | 1,146           | 1,244           |
| <b>Total Liabilities</b>   | <b>6,573</b>    | <b>6,427</b>    |
| Redeemable noncontrolling interest   | 36              | 39              |
| <b>Shareholders' Equity</b>  |                 |                 |
| Common stock, no par value, 750 shares authorized; 437 shares and 443 shares issued in 2014 and 2013, respectively     | 7               | —               |
| Retained earnings  | 2,462           | 2,102           |
| Accumulated other comprehensive income (loss)  | 36              | 64              |
| <b>Total Shareholders' Equity - YUM! Brands, Inc.</b>  | <b>2,505</b>    | <b>2,166</b>    |
| Noncontrolling interests   | 63              | 63              |
| <b>Total Shareholders' Equity</b>  | <b>2,568</b>    | <b>2,229</b>    |
| <b>Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity</b>                                  | <b>\$ 9,177</b> | <b>\$ 8,695</b> |

See accompanying notes.

**YUM! Brands, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(amounts in millions)  
(unaudited)

|  | Year to date  |               |
|--|---------------|---------------|
|  | 9/6/14        | 9/7/13        |
| <b>Cash Flows - Operating Activities</b>                       |               |               |
| Net income - including noncontrolling interests                | \$ 1,140      | \$ 749        |
| Depreciation and amortization                                  | 501           | 473           |
| Closures and impairment (income) expenses                      | 30            | 310           |
| Refranchising (gain) loss                                      | (27)          | (87)          |
| Deferred income taxes  | (94)          | (51)          |
| Equity income from investments in unconsolidated affiliates    | (31)          | (17)          |
| Distribution of income received from unconsolidated affiliates | 12            | 15            |
| Excess tax benefit from share-based compensation               | (29)          | (27)          |
| Share-based compensation expense                               | 36            | 32            |
| Changes in accounts and notes receivable                       | (25)          | (4)           |
| Changes in inventories   | 24            | 19            |
| Changes in prepaid expenses and other current assets           | (3)           | (22)          |
| Changes in accounts payable and other current liabilities      | 59            | (14)          |
| Changes in income taxes payable                                | (24)          | 115           |
| Other, net   | 43            | 62            |
| <b>Net Cash Provided by Operating Activities</b>               | <b>1,612</b>  | <b>1,553</b>  |
| <b>Cash Flows - Investing Activities</b>                       |               |               |
| Capital spending   | (655)         | (699)         |
| Changes in short-term investments                              | (315)         | 1             |
| Proceeds from refranchising of restaurants                     | 66            | 218           |
| Acquisitions   | (26)          | (98)          |
| Other, net   | 10            | (9)           |
| <b>Net Cash Used in Investing Activities</b>                   | <b>(920)</b>  | <b>(587)</b>  |
| <b>Cash Flows - Financing Activities</b>                       |               |               |
| Repayments of long-term debt                                   | (7)           | (5)           |
| Short-term borrowings by original maturity                     |               |               |
| More than three months - proceeds                              | 2             | 56            |
| More than three months - payments                              | —             | (54)          |
| Three months or less, net                                      | —             | —             |
| Revolving credit facilities, three months or less, net         | 397           | —             |
| Repurchase shares of Common Stock                              | (510)         | (510)         |
| Excess tax benefit from share-based compensation               | 29            | 27            |
| Employee stock option proceeds                                 | 21            | 17            |
| Dividends paid on Common Stock                                 | (490)         | (451)         |
| Other, net   | (28)          | (55)          |
| <b>Net Cash Used in Financing Activities</b>                   | <b>(586)</b>  | <b>(975)</b>  |
| <b>Effect of Exchange Rate on Cash and Cash Equivalents</b>    | <b>6</b>      | <b>(14)</b>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>    | <b>112</b>    | <b>(23)</b>   |
| <b>Cash and Cash Equivalents - Beginning of Period</b>         | <b>573</b>    | <b>776</b>    |
| <b>Cash and Cash Equivalents - End of Period</b>               | <b>\$ 685</b> | <b>\$ 753</b> |
| See accompanying notes.  |               |               |



**Reconciliation of Non-GAAP Measurements to GAAP Results**  
**(amounts in millions, except per share amounts)**  
**(unaudited)**

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this document, the Company has provided non-GAAP measurements which present operating results in 2014 and 2013 on a basis before Special Items. Special Items presented below relate primarily to U.S. franchising gains in 2014 and 2013 and the impairment of certain Little Sheep assets in 2013, which are further described in (d) and (e) in the accompanying notes. Other Special Items Income (Expense) includes gains from real estate sales in 2014 related to our previously franchised Mexico business and charges related to U.S. General and Administrative productivity initiatives and realignment of resources due to the outsourcing of certain information technology, accounting and payroll services in 2013.

The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present operations, excluding items in the quarters and years to date ended September 6, 2014 and September 7, 2013 that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

|   | Quarter ended |           | Year to date |           |
|---|---------------|-----------|--------------|-----------|
|   | 9/6/14        | 9/7/13    | 9/6/14       | 9/7/13    |
| <b>Detail of Special Items</b>  |               |           |              |           |
| U.S. Refranchising gain (loss) <sup>(d)</sup>   | \$ 8          | \$ 37     | \$ 11        | \$ 82     |
| Little Sheep impairment <sup>(e)</sup>  | —             | (295)     | —            | (295)     |
| Other Special Items Income (Expense)  | 7             | (9)       | 7            | (9)       |
| Total Special Items Income (Expense)  | 15            | (267)     | 18           | (222)     |
| Tax Benefit (Expense) on Special Items  | (5)           | 12        | (6)          | (3)       |
| Special Items Income (Expense), net of tax - including noncontrolling interests                 | \$ 10         | \$ (255)  | \$ 12        | \$ (225)  |
| Special Items Income (Expense), net of tax - noncontrolling interests                           | \$ —          | \$ 19     | \$ —         | \$ 19     |
| Special Items Income (Expense), net of tax - Yum Brands, Inc.                                   | \$ 10         | \$ (236)  | \$ 12        | \$ (206)  |
| Average diluted shares outstanding  | 452           | 461       | 455          | 463       |
| Special Items diluted EPS   | \$ 0.02       | \$ (0.52) | \$ 0.02      | \$ (0.45) |
| <b>Reconciliation of Operating Profit Before Special Items to Reported Operating Profit</b>     |               |           |              |           |
| Operating Profit Before Special Items   | \$ 535        | \$ 617    | \$ 1,582     | \$ 1,449  |
| Special Items Income (Expense)  | 15            | (267)     | 18           | (222)     |
| Reported Operating Profit   | \$ 550        | \$ 350    | \$ 1,600     | \$ 1,227  |
| <b>Reconciliation of EPS Before Special Items to Reported EPS</b>                               |               |           |              |           |
| Diluted EPS Before Special Items  | \$ 0.87       | \$ 0.85   | \$ 2.48      | \$ 2.11   |
| Special Items EPS   | 0.02          | (0.52)    | 0.02         | (0.45)    |
| Reported EPS  | \$ 0.89       | \$ 0.33   | \$ 2.50      | \$ 1.66   |
| <b>Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate</b> |               |           |              |           |
| Effective Tax Rate Before Special Items   | 22.4%         | 33.1%     | 24.4%        | 28.2%     |
| Impact on Tax Rate as a result of Special Items   | 0.3%          | 24.1%     | 0.1%         | 5.7%      |
| Reported Effective Tax Rate   | 22.7%         | 57.2%     | 24.5%        | 33.9%     |

**YUM! Brands, Inc.**  
**Segment Results**  
(amounts in millions)  
(unaudited)

|   | China         | KFC           | Pizza Hut    | Taco Bell     | India         | Corporate and Unallocated | Consolidated  |
|---|---------------|---------------|--------------|---------------|---------------|---------------------------|---------------|
| <b>Quarter Ended 9/6/14</b>               |               |               |              |               |               |                           |               |
| Total revenues                            | \$ 1,840      | \$ 771        | \$ 264       | \$ 443        | \$ 36         | \$ —                      | \$ 3,354      |
| Company restaurant expenses               | 1,540         | 490           | 127          | 274           | 31            | —                         | 2,462         |
| General and administrative expenses       | 95            | 91            | 58           | 40            | 6             | 33                        | 323           |
| Franchise and license expenses            | 5             | 20            | 11           | 4             | 2             | —                         | 42            |
| Closures and impairment (income) expenses | 4             | 1             | —            | 1             | —             | —                         | 6             |
| Refranchising (gain) loss                 | —             | —             | —            | —             | —             | (20)                      | (20)          |
| Other (income) expense                    | (6)           | —             | —            | —             | —             | (3)                       | (9)           |
|   | <u>1,638</u>  | <u>602</u>    | <u>196</u>   | <u>319</u>    | <u>39</u>     | <u>10</u>                 | <u>2,804</u>  |
| Operating Profit (loss)                   | <u>\$ 202</u> | <u>\$ 169</u> | <u>\$ 68</u> | <u>\$ 124</u> | <u>\$ (3)</u> | <u>\$ (10)</u>            | <u>\$ 550</u> |

|   | China         | KFC           | Pizza Hut    | Taco Bell     | India         | Corporate and Unallocated | Consolidated  |
|---|---------------|---------------|--------------|---------------|---------------|---------------------------|---------------|
| <b>Quarter Ended 9/7/13</b>               |               |               |              |               |               |                           |               |
| Total revenues                            | \$ 2,033      | \$ 704        | \$ 264       | \$ 435        | \$ 30         | \$ —                      | \$ 3,466      |
| Company restaurant expenses               | 1,612         | 449           | 126          | 276           | 27            | —                         | 2,490         |
| General and administrative expenses       | 88            | 88            | 54           | 45            | 6             | 46                        | 327           |
| Franchise and license expenses            | 3             | 20            | 14           | 6             | 1             | —                         | 44            |
| Closures and impairment (income) expenses | 6             | —             | (1)          | —             | —             | 295                       | 300           |
| Refranchising (gain) loss                 | —             | —             | —            | —             | —             | (38)                      | (38)          |
| Other (income) expense                    | (11)          | —             | —            | (1)           | —             | 5                         | (7)           |
|   | <u>1,698</u>  | <u>557</u>    | <u>193</u>   | <u>326</u>    | <u>34</u>     | <u>308</u>                | <u>3,116</u>  |
| Operating Profit (loss)                   | <u>\$ 335</u> | <u>\$ 147</u> | <u>\$ 71</u> | <u>\$ 109</u> | <u>\$ (4)</u> | <u>\$ (308)</u>           | <u>\$ 350</u> |

The above tables reconcile segment information, which is based on management responsibility, with our Condensed Consolidated Summary of Results. Corporate and unallocated expenses comprise items that are not allocated to segments for performance reporting purposes.

The Corporate and Unallocated column in the above tables includes, among other amounts, all amounts that we have deemed Special Items. See Reconciliation of Non-GAAP Measurements to GAAP Results.

**YUM! Brands, Inc.**  
**Segment Results**  
**(amounts in millions)**  
**(unaudited)**

| <b>Year to Date 9/6/14</b>                | China         | KFC           | Pizza Hut     | Taco Bell     | India         | Corporate<br>and<br>Unallocated | Consolidated    |
|---|---------------|---------------|---------------|---------------|---------------|---------------------------------|-----------------|
| Total revenues                            | \$ 4,928      | \$ 2,189      | \$ 796        | \$ 1,273      | \$ 96         | \$ —                            | \$ 9,282        |
| Company restaurant expenses               | 3,979         | 1,384         | 384           | 813           | 83            | —                               | 6,643           |
| General and administrative expenses       | 259           | 261           | 165           | 128           | 17            | 116                             | 946             |
| Franchise and license expenses            | 11            | 54            | 29            | 13            | 2             | —                               | 109             |
| Closures and impairment (income) expenses | 23            | 2             | 2             | 2             | 1             | —                               | 30              |
| Refranchising (gain) loss                 | —             | —             | —             | —             | —             | (27)                            | (27)            |
| Other (income) expense                    | (25)          | 1             | 1             | —             | —             | 4                               | (19)            |
|   | <u>4,247</u>  | <u>1,702</u>  | <u>581</u>    | <u>956</u>    | <u>103</u>    | <u>93</u>                       | <u>7,682</u>    |
| Operating Profit (loss)                   | <u>\$ 681</u> | <u>\$ 487</u> | <u>\$ 215</u> | <u>\$ 317</u> | <u>\$ (7)</u> | <u>\$ (93)</u>                  | <u>\$ 1,600</u> |

| <b>Year to Date 9/7/13</b>                | China         | KFC           | Pizza Hut     | Taco Bell     | India          | Corporate<br>and<br>Unallocated | Consolidated    |
|---|---------------|---------------|---------------|---------------|----------------|---------------------------------|-----------------|
| Total revenues                            | \$ 4,633      | \$ 2,066      | \$ 798        | \$ 1,325      | \$ 83          | \$ —                            | \$ 8,905        |
| Company restaurant expenses               | 3,834         | 1,297         | 368           | 849           | 72             | —                               | 6,420           |
| General and administrative expenses       | 233           | 261           | 150           | 138           | 18             | 133                             | 933             |
| Franchise and license expenses            | 8             | 51            | 32            | 15            | 2              | —                               | 108             |
| Closures and impairment (income) expenses | 14            | —             | (1)           | 1             | 1              | 295                             | 310             |
| Refranchising (gain) loss                 | —             | —             | —             | —             | —              | (87)                            | (87)            |
| Other (income) expense                    | (13)          | —             | (1)           | 2             | —              | 6                               | (6)             |
|   | <u>4,076</u>  | <u>1,609</u>  | <u>548</u>    | <u>1,005</u>  | <u>93</u>      | <u>347</u>                      | <u>7,678</u>    |
| Operating Profit (loss)                   | <u>\$ 557</u> | <u>\$ 457</u> | <u>\$ 250</u> | <u>\$ 320</u> | <u>\$ (10)</u> | <u>\$ (347)</u>                 | <u>\$ 1,227</u> |

The above tables reconcile segment information, which is based on management responsibility, with our Condensed Consolidated Summary of Results. Corporate and unallocated expenses comprise items that are not allocated to segments for performance reporting purposes.

The Corporate and Unallocated column in the above tables includes, among other amounts, all amounts that we have deemed Special Items. See Reconciliation of Non-GAAP Measurements to GAAP Results.

**Notes to the Condensed Consolidated Summary of Results, Condensed Consolidated Balance Sheets  
and Condensed Consolidated Statements of Cash Flows**  
**(amounts in millions)**  
**(unaudited)**

- (a) Amounts presented as of and for the quarter and year to date ended September 6, 2014 are preliminary.
- (b) Other (income) expense for the China Division primarily consists of equity income (loss) from investments in unconsolidated affiliates.
- (c) Previously, our reporting segments consisted of YUM Restaurants International, the United States, China and India. In the first quarter of 2014, we combined our YUM Restaurants International and United States reporting segments and began reporting this information by three new reporting segments: KFC Division, Pizza Hut Division and Taco Bell Division. China and India remain separate reporting segments. This new structure is designed to drive greater global brand focus, enabling us to more effectively share know-how and accelerate growth. While our consolidated results have not been impacted, we have restated our comparable segment information for consistent presentation.
- (d) During the quarters ended September 6, 2014 and September 7, 2013 , we recorded gains of \$8 million and \$37 million, respectively, related to refranchising in the U.S. During the years to date ended September 6, 2014 and September 7, 2013 , we recorded gains of \$11 million and \$82 million, respectively, related to refranchising in the U.S. We have traditionally not allocated refranchising (gains) losses for segment reporting purposes. Additionally, U.S. refranchising (gains) losses have been reflected as Special Items for certain performance measures (see accompanying reconciliation to reported results) consistent with our historical presentation.
- (e) During the quarter ended September 7, 2013, we recorded an impairment charge related to Little Sheep totaling \$258 million (net of income tax benefit of \$18 million and amounts allocated to noncontrolling interests of \$19 million). This charge was driven by a write down in goodwill from \$384 million to \$162 million and a write down in trademark from \$415 million to \$345 million. The impairment charge was not allocated for segment reporting purposes and was reflected as a Special Item for certain performance measures (see accompanying reconciliation to reported results).