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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported)
October 11, 2006

Commission file number 1-13163

YUM! BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of
incorporation or organization)

13-3951308

(IRS Employer
Identification No.)

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

40213
(Zip Code)

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

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

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 11, 2006, YUM! Brands, Inc. issued a press release announcing financial results for the quarter ended September 9, 2006. 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 11, 2006 from YUM! Brands, Inc.

SIGNATURE

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

YUM! BRANDS, INC.
(Registrant)

Date: October 11, 2006

/s/ Ted F. Knopf

*Senior Vice President of Finance
and Corporate Controller
(Principal Accounting Officer)*

Yum! Brands Inc. Reports Strong 2006 Third-Quarter Earnings Per Share of \$0.83 or +20% Versus Last Year Led by Powerful Growth in China and International; Raises Full-Year Forecast to \$2.89 from \$2.83

LOUISVILLE, Ky.--(BUSINESS WIRE)--Oct. 11, 2006--Yum! Brands Inc. (NYSE: YUM) today reported financial results for the third quarter ended September 9, 2006, and provided estimated Period 10 global sales results.

Highlights for the third quarter are . . .

- Worldwide operating profit increased 11%.
- Strong double-digit operating-profit growth from our international divisions: China, 26%; YRI, 22%.
- Mainland China new-restaurant growth of 18%.
- Yum! Restaurants International Division (YRI) new-restaurant growth of 4%.
- Worldwide franchise fees increased 8%.
- Restaurant margin increased 1.3 percentage points worldwide and grew in all three business segments.
- Average diluted shares outstanding were reduced by 7%.

Note: All preceding comparisons are versus the same period a year ago.

FULL-YEAR EPS OUTLOOK

We have raised our full-year EPS outlook to \$2.89, or 14% growth prior to special items, based on continued very strong growth from our China Division and double-digit growth from our YRI Division. The company's prior EPS guidance for 2006 was at least \$2.83.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Third Quarter			Year To Date		
	2006	2005	% Change	2006	2005	% Change
Traditional Restaurants	32,146	31,537	+2	32,146	31,537	+2
System-Sales Growth	+5%	+6%	NM	+5%	+7%	NM
Reported EPS	\$0.83	\$0.69	+20	\$2.10	\$1.78	+18

Note: YUM has 34,274 restaurant locations around the world, which include 2,128 license units.

David C. Novak, Chairman and CEO, said, "We have continuously positioned Yum! Brands to deliver consistent global growth while at the same time generating substantial and increasing cash flow.

"Third-quarter performance demonstrated our global growth once again led by 26% profit growth in China and 22% growth at YRI. As a result third-quarter EPS increased by 20% despite a 2% decline in U.S. same-store sales and U.S. profit growth of 1%. Fueled by this continued strong profit growth from each of our international divisions, we have once again raised our full-year EPS forecast, increasing it from \$2.83 to \$2.89 or 14% growth. This marks our fifth straight year of at least 13% EPS growth, exceeding our annual target of at least 10% growth. Importantly, we continue to build even stronger market positions in our China and YRI businesses.

"At the same time, our company generates substantial free cash available for payout to our shareholders with the U.S. business leading the way. We expect to return over \$1 billion to shareholders again this year in the form of share buybacks and an increased dividend. For 2006, this payout is substantial for each of our long-term shareholders as our share count will be reduced by 6%, and our dividend provides an additional return of more than 1%. We fully expect to continue to return similar substantial amounts of cash to shareholders for the foreseeable future.

"Looking ahead, the growing strength of our China and YRI businesses gives us continued confidence in our ability to sustain annual EPS growth of at least 10% while we consistently generate substantial cash.

"We remain focused on our four key strategies: (1) build dominant restaurant brands in China, (2) drive profitable international expansion, (3) improve U.S. brands and operations, and (4) multibrand category-leading brands."

YUM! RESTAURANTS INTERNATIONAL DIVISION (YRI)

Key growth driver: Franchise-fee growth by opening new franchise restaurants and leveraging our substantial infrastructure across an array of international markets.

(\$ million, except restaurant counts and percentages)	Third Quarter			
	2006	2005	Reported	% Change Excl F/x
Key Financial Measures				
Franchise & License Fees	119	103	+15	+13
Franchisee Sales	2,187	1,957	+12	+10
Company Sales	399	387	+3	+1
Operating Margin %	20.2	17.5	+2.7 ppt	+2.9 ppt
Operating Profit	105	86	+22	+20
Key Operating Metrics				
System-Sales Growth (Local Currency)				
Traditional Restaurants	11,551	11,066	+4	NA
KFC	6,410	6,124	+5	NA
Pizza Hut	4,673	4,499	+4	NA
Franchise Restaurants	10,262	9,641	+6	NA
Year to Date				
(\$ million, except restaurant counts and percentages)	% Change			
	2006	2005	Reported	Excl F/x
Key Financial Measures				
Franchise & License Fees	337	301	+12	+13
Franchisee Sales	6,284	5,845	+8	+9
Company Sales	1,139	1,165	-2	-2
Operating Margin %	19.5	18.0	+1.5 ppt	+1.6 ppt
Operating Profit	288	264	+9	+10
Key Operating Metrics				
System-Sales Growth (Local Currency)				
Traditional Restaurants	11,551	11,066	+4	NA
KFC	6,410	6,124	+5	NA
Pizza Hut	4,673	4,499	+4	NA
Franchise Restaurants	10,262	9,641	+6	NA

For the third quarter, franchise fees continued to grow as a result of new-restaurant expansion and same-store-sales growth of 4%. Additionally, the expansion of our franchise-restaurant base due to the sale of company restaurants to franchisees (refranchising) added to growth in franchise fees. YRI opened 176 new restaurants in the third quarter and 452 year to date with franchisees opening 94% of the total year to date. Strong system-sales-growth performance continued in YRI's franchise-only markets driven by both solid growth in new units and same-store sales.

For the third quarter, company sales were reduced by the impact of refranchising 157 company restaurants over the past year. Company-sales growth of +3% was lower by 6 percentage points due to this change in restaurant ownership. Overall, company same-store-sales growth was +4%, improving from a decline in the first quarter and slightly positive results in the second quarter.

Operating margin increased 2.7 percentage points in the third quarter driven by strong franchise performance reflected by 15% growth in franchise fees.

We received regulatory approval to complete the acquisition of the remaining 50% ownership of the Pizza Hut U.K. joint venture from Whitbread PLC on September 12, 2006. We expect some additional balance-of-year operating-profit growth from this business.

For YRI full-year 2006, we expect . . .

- System-sales growth of at least 7%.
- New-restaurant openings of at least 770.
- Operating profit of at least +10%.

These full-year growth rates are in local currency and excluding the impact of the fifty-third week last year.

CHINA DIVISION

Key growth driver: Profitable expansion of new KFC and Pizza Hut company restaurants in mainland China.

(\$ million, except restaurant counts and percentages)	Third Quarter			% Change
	2006	2005	Reported	
Key Financial Measures				
Company Sales	445	349	+28	+25
Restaurant Margin %	23.7	20.6	+3.1 ppt	+3.0 ppt
Operating Profit	105	83	+26	+23
Key Operating Metrics				
MAINLAND CHINA:				
KFC Restaurants	1,695	1,441	+18	NA
Pizza Hut Restaurants	261	211	+24	NA
System-Sales Growth (Local Currency)				+29
Year to Date				
(\$ million, except restaurant counts and percentages)	Year to Date			% Change
	2006	2005	Reported	
Key Financial Measures				
Company Sales	1,066	844	+26	+24
Restaurant Margin %	21.6	19.1	+2.5 ppt	+2.5 ppt
Operating Profit	220	160	+38	+34
Key Operating Metrics				
MAINLAND CHINA:				
KFC Restaurants	1,695	1,441	+18	NA
Pizza Hut Restaurants	261	211	+24	NA
System-Sales Growth (Local Currency)				+27

Note: China Division includes mainland China, Thailand and the KFC Taiwan business.

For the third quarter 2006, company sales for the China Division increased 25% in local-currency terms due to the continued strong expansion of both our KFC and Pizza Hut brands in mainland China. Each brand is the market leader within the quick-service category and casual-dining category respectively. Mainland China system restaurants in operation grew 18%, and system-same-store sales grew 12% in local-currency terms.

Third-quarter 2006 operating profit increased 23% in local-currency terms versus last year. The key contributing factor was continued growth in both our KFC and Pizza Hut brands' sales in mainland China. Importantly, third-quarter restaurant margin reached an all-time record. Last year, third-quarter China Division operating profit included \$14 million in other income from a one-time financial recovery from a supplier.

For the China Division full-year 2006 in local currency, we expect . . .

- System-sales growth of 24%.

-- Operating-profit growth in the range of 35% to 40%.

UNITED STATES BUSINESS

Key growth drivers: Positive blended same-store-sales growth, improvements in restaurant and operating margins.

(\$ million, except restaurant counts and percentages)	Third Quarter			Year to Date		
	2006	2005	% Change	2006	2005	% Change
Key Financial Measures						
Franchisee Sales	3,048	2,999	+2	8,927	8,530	+5
Company Sales	1,145	1,239	-8	3,515	3,678	-4
Franchise & License Fees	155	154	+1	454	435	+4
Restaurant Margin %	14.1	13.9	+0.2 ppt	15.1	13.8	+1.3 ppt
Operating Margin %	14.2	13.2	+1.0 ppt	14.2	12.8	+1.4 ppt
Operating Profit	183	183	+1	565	525	+8

Key Operating Metrics						
Blended System						
Same-Store-Sales Growth %	-2	+4	NM	+1	+4	NM
System Multibrand						

Restaurants 3,277 2,918 +12 3,277 2,918 +12 Franchise Restaurants 13,662 13,530 +1 13,662 13,530 +1

For the third quarter, franchise sales and fees grew slightly as a result of opening new franchise restaurants and the expansion of our franchise-restaurant base due to the sale of 307 company-owned restaurants to franchisees (refranchising) over the past year.

Company sales declined by 8% for the third quarter primarily from the impact of refranchising 307 company-owned restaurants the past 12 months.

The key drivers of improvement in third-quarter restaurant and operating margins were a much improved commodity-cost environment and lower impairment expenses versus a year ago respectively. Overall, commodity costs declined by approximately \$10 million versus last year.

For the U.S. in 2006, we expect . . .

-- Blended same-store sales to be flat.

-- Operating-profit growth of +3% to +5%, excluding the fifty-third-week benefit in 2005.

U.S. FRANCHISE OWNERSHIP UPDATE

As previously communicated, in the U.S. business we have targeted to sell approximately 1,000 company restaurants to franchisees during 2006 and 2007. We are on schedule and remain fully confident of meeting our original two-year plan. Year-to-date 2006, 191 company-owned U.S. restaurants have been sold to our franchisees.

Our two-year program was originally targeted to produce cash proceeds of \$300 million, improve restaurant margin by at least 0.5 percentage points, improve ROIC by at least 0.75 percentage points, and have a neutral impact on U.S. operating profit. Our latest estimate is that cash proceeds for 2006 alone will total at least \$250 million versus the original target of \$150 million. Operating-profit impact for the U.S. in 2006 will be slightly negative, offset in 2007 by reduced G&A related to the operation of company restaurants sold during 2006.

FREE CASH FLOW

For full-year 2006, we continue to expect to generate about \$1.3 billion in Cash from Operating Activities and about \$700 million of free cash flow after capital expenditures. As we have previously communicated, our objective is to return virtually all free cash available to our shareholders through our share buybacks and quarterly dividends after investing more than \$600 million in our worldwide businesses. For the full year 2006, we expect the total payout to net about 7% to shareholders, which includes significant share buybacks, reducing share count by 6%, and approximately 1% returned through the quarterly dividend.

During the third quarter of 2006, we purchased 7.1 million shares for \$337 million. Year-to-date share repurchases totaled \$853 million.

FOREIGN CURRENCY IMPACTS

Division	2006	
	Third Quarter	Year to Date
YRI	+1	-4
China	+3	+6

FULL-YEAR 2006 GUIDANCE UPDATE ONLINE

For the entire updated version of our detailed full-year 2006 guidance, go to the following link: http://media.corporate-ir.net/media_files/irol/11/117941/06Guidance2.pdf. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.)

PERIOD 10 SALES

INTERNATIONAL SYSTEM-SALES GROWTH (Estimated)

	P10 2006 Local Currency	P10 2005 Local Currency	P10 2006 U.S. Dollars
Yum! Restaurants International	+9%	+4%	+11%
CHINA Division	+19%	+13%	+21%
Mainland China	+25%	+15%	+28%

The 6 percentage-point gap between the Period 10 local currency system sales of the China Division of +19% and mainland China's +25% is due to the general softness in our Taiwan business.

U.S. COMPANY SAME-STORE-SALES GROWTH (Estimated)

	Period 10		Third Quarter	
	2006	2005	2006	2005
U.S. BLENDED	-1%	+3%	-2%	+4%
Taco Bell	-1%	+6%	-2%	+8%
Pizza Hut	Even	-3%	-5%	-3%
KFC	-2%	+6%	Even	+6%

	2006 Period 10 End Dates	2006 Period 11 End Dates
International Division	9/11/2006	International Division 10/9/2006
China Division	9/30/2006	China Division 10/31/2006
U.S. Business	10/7/2006	U.S. Business 11/4/2006

CONFERENCE CALL

Yum! Brands Inc. will host a conference call to review the company's financial performance and strategies at 2 p.m. EDT Thursday, October 12, 2006.

For U.S. callers, the number is 877/815-2029. For international callers, the number is 706/645-9271.

The call will be available for playback beginning at 5 p.m. Eastern Time Thursday, October 12, through 5 p.m. Friday, October 20. To access the playback, dial 800/642-1687 in the United States and 706/645-9291 internationally. The playback pass code is 6927073.

The call and the playback can be accessed via the Internet by visiting Yum! Brands' Web site, www.yum.com, and selecting "3rd-Quarter Earnings Webcast."

New! For your added convenience . . . A podcast will be available within 24 hours of the end of the call at www.yum.com/investors.

2006 Annual Conference for Investors & Analysts

Please note, Tuesday, December 5, Yum! Brands will host the company's Annual Conference for Investors and Analysts from approximately 8 a.m. to 1 p.m. EST, at The St. Regis Hotel in New York. Online registration is required before 5 p.m. EST Friday, December 1. To register,

please access the link to the conference online registration at www.yum.com. Click on "Register Now" under "Analyst/Investor Upcoming Events."

If you have questions, call Yum! Brands Investor Relations at 888/298-6986

ADDITIONAL INFORMATION ONLINE

-- For third-quarter restaurant-count details and definitions of terms used, go to http://media.corporate-ir.net/media_files/irol/11/117941/YumQ306Earnings.pdf. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.)

-- For segment-results reconciliation, go to <http://investors.yum.com/phoenix.zhtml?c=117941&p=irol-newsEarnings>. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.)

This announcement contains 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. These statements include those identified by such words as may, will, expect, project, anticipate, believe, plan and other similar terminology. These "forward-looking" statements reflect management's current expectations regarding future events and operating and financial performance and are based on currently available data. However, actual results are subject to future events and uncertainties, which could cause actual results to differ from those projected in this announcement. Accordingly, you are cautioned not to place undue reliance on forward-looking statements. Factors that can cause actual results to differ materially include, but are not limited to, changes in global and local business, economic and political conditions in the countries and territories where Yum! Brands operates, including the effects of war and terrorist activities; changes in currency exchange and interest rates; changes in commodity, labor and other operating costs; changes in competition in the food industry, consumer preferences or perceptions concerning the products of the company and/or our competitors, spending patterns and demographic trends; the impact that any widespread illness or general health concern may have on our business and the economy of the countries in which we operate; the effectiveness of our operating initiatives and marketing, advertising and promotional efforts; new-product and concept development by Yum! Brands and other food-industry competitors; the success of our strategies for refranchising and international development and operations; the ongoing business viability of our franchise and license operators; our ability to secure distribution to our restaurants at competitive rates and to ensure adequate supplies of restaurant products and equipment in our stores; unexpected disruptions in our supply chain; publicity that may impact our business and/or industry; severe weather conditions; effects and outcomes of pending or future legal claims involving the company; changes in effective tax rates; our actuarially determined casualty loss estimates; new legislation and governmental regulations or changes in legislation and regulations and the consequent impact on our business; and changes in accounting policies and practices. Further information about factors that could affect Yum! Brands' financial and other results are included in the company's Forms 10-Q and 10-K, filed with the Securities and Exchange Commission.

Yum! Brands Inc., based in Louisville, Kentucky, is the world's largest restaurant company in terms of system restaurants with over 34,000 restaurants, which includes over 2,000 licensed restaurants, in more than 100 countries and territories. Four of the company's restaurant brands -- KFC, Pizza Hut, Taco Bell and Long John Silver's -- are the global leaders of the chicken, pizza, Mexican-style food and quick-service seafood categories respectively. Yum! Brands is the worldwide leader in multibranding, which offers consumers more choice and convenience at one restaurant location from a combination of KFC, Taco Bell, Pizza Hut, A&W or Long John Silver's brands. The company and its franchisees today operate over 3,400 multibrand restaurants. Outside the United States in 2005, the Yum! Brands' system opened about three new restaurants each day of the year, making it one of the fastest growing retailers in the world. For the past four years, the company has been recognized as one of Fortune Magazine's "Top 50 Employers for Minorities." It also has been recognized as one of the "Top 50 Employers for Women" by Fortune, one of the "40 Best Companies for Diversity" by Black Enterprise Magazine for the past two years, one of Black Enterprise Magazine's "30 Hottest Franchises for 2006, one of the "Corporate 100 Companies Providing Opportunities for Hispanics" by Hispanic Magazine, one of the "Top 50 Corporations for Supplier Diversity" by Hispanic Trends Magazine and by BusinessWeek as one of the "Top 15 Companies for In-Kind Corporate Philanthropy."

Analysts are invited to contact

Tim Jerzyk, Vice President Investor Relations, at 888/298-6986 Quan Nghe, Director Investor Relations, at 888/298-6986

Members of the media are invited to contact Amy Sherwood, Vice President Public Relations, at 502/874-8200

Yum! Brands, Inc. Consolidated Summary of Results

(amounts in millions, except per share amounts)

(unaudited)

	Quarter		% Change	Year to date		% Change
	9/9/06	9/3/05	B/(W)	9/9/06	9/3/05	B/(W)
Company sales	\$1,989	\$1,975	1	\$5,720	\$5,687	1

Franchise and license fees	289	268	8	825	763	8
Total revenues	2,278	2,243	2	6,545	6,450	1
Costs and expenses						
Food and paper	606	619	2	1,746	1,793	3
Payroll and employee benefits	492	501	2	1,461	1,493	2
Occupancy and other operating expenses	570	561	(2)	1,607	1,582	(2)
Company restaurant expenses	1,668	1,681	1	4,814	4,868	1
General and administrative expenses	271	264	(3)	789	784	(1)
Franchise and license expenses	7	12	43	24	24	(1)
Closures and impairment expenses	1	17	NM	25	43	NM
Refranchising (gain) loss	4	(10)	NM	(7)	(21)	NM
Other (income) expense	(17)	(27)	(37)	(33)	(66)	(50)
Wrench litigation (income) expense	--	(2)	NM	--	(2)	NM
AmeriServe and other charges (credits)	--	--	NM	--	--	NM
Total costs and expenses	1,934	1,935	--	5,612	5,630	--
Operating profit	344	308	11	933	820	14
Interest expense, net	34	28	(17)	105	86	(21)
Income before income taxes	310	280	11	828	734	13
Income tax provision	80	75	(7)	236	198	(19)
Net income	\$ 230	\$ 205	12	\$ 592	\$ 536	10
Effective tax rate	25.8%	26.8%		28.5%	27.0%	
Basic EPS Data						
EPS	\$ 0.86	\$ 0.72	19	\$ 2.18	\$ 1.86	17
Average shares outstanding	268	285	6	272	288	6
Diluted EPS Data						
EPS	\$ 0.83	\$ 0.69	20	\$ 2.10	\$ 1.78	18
Average shares outstanding	277	298	7	282	301	7
Dividends declared per						

common share	\$	--	\$	--	\$0.265	\$0.215
	=====		=====		=====	=====

Please note that the results for all periods presented include the negative impact of expensing stock options and stock appreciation rights.

See accompanying notes

Yum! Brands, Inc. UNITED STATES Operating Results

(amounts in millions)

(unaudited)

	Quarter		% Change	Year to date		% Change
	9/9/06	9/3/05	B/(W)	9/9/06	9/3/05	B/(W)
Company sales	\$1,145	\$1,239	(8)	\$3,515	\$3,678	(4)
Franchise and license fees	155	154	1	454	435	4
Revenues	1,300	1,393	(7)	3,969	4,113	(4)
Company restaurants						
Food and paper	319	368	13	991	1,105	10
Payroll and employee benefits	346	367	6	1,055	1,105	5
Occupancy and other operating expenses	319	332	4	940	960	2
	984	1,067	8	2,986	3,170	6
General and administrative expenses	129	121	(6)	380	365	(4)
Franchise and license expenses	4	9	57	15	18	18
Closures and impairment expenses	--	13	NM	15	35	NM
Other (income) expense	--	--	NM	8	--	NM
	1,117	1,210	8	3,404	3,588	5
Operating profit	\$ 183	\$ 183	1	\$ 565	\$ 525	8
Company sales	100.0 %	100.0 %		100.0 %	100.0 %	
Food and paper	27.8	29.6	1.8 ppts.	28.2	30.0	1.8 ppts.
Payroll and employee benefits	30.2	29.7	(0.5) ppts.	30.0	30.1	0.1 ppts.
Occupancy and other operating expenses	27.9	26.8	(1.1) ppts.	26.7	26.1	(0.6) ppts.
Restaurant margin	14.1 %	13.9 %	0.2 ppts.	15.1 %	13.8 %	1.3 ppts.
Operating margin	14.2 %	13.2 %	1.0 ppts.	14.2 %	12.8 %	1.4 ppts.

Please note that the results for all periods presented include the negative impact of expensing stock options and stock appreciation rights.

See accompanying notes

Yum! Brands, Inc. INTERNATIONAL DIVISION Operating Results

(amounts in millions)

(unaudited)

	Quarter		% Change	Year to date		% Change
	9/9/06	9/3/05	B/(W)	9/9/06	9/3/05	B/(W)
Company sales	\$ 399	\$ 387	3	\$1,139	\$1,165	(2)
Franchise and license fees	119	103	15	337	301	12
Revenues	518	490	6	1,476	1,466	1
Company restaurants						
Food and paper	131	128	(3)	377	384	2
Payroll and employee benefits	95	92	(3)	273	280	2
Occupancy and other operating expenses	118	118	(1)	342	352	3
	344	338	(2)	992	1,016	2
General and administrative expenses	65	63	(7)	187	192	2
Franchise and license expenses	3	3	(2)	9	6	(56)
Closures and impairment expenses	1	4	NM	8	6	NM
Other (income) expense	--	(4)	(79)	(8)	(18)	(51)
	413	404	(2)	1,188	1,202	1
Operating profit	\$ 105	\$ 86	22	\$ 288	\$ 264	9
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	33.0	33.1	0.1 ppts.	33.2	33.0	(0.2) ppts.
Payroll and employee benefits	23.8	23.8	--	24.0	24.0	--
Occupancy and other operating expenses	29.8	30.5	0.7 ppts.	30.0	30.2	0.2 ppts.
Restaurant margin	13.4%	12.6%	0.8 ppts.	12.8 %	12.8 %	--
Operating margin	20.2%	17.5%	2.7 ppts.	19.5 %	18.0 %	1.5 ppts.

Please note that the results for all periods presented include the negative impact of expensing stock options and stock appreciation rights.

See accompanying notes

Yum! Brands, Inc. CHINA DIVISION Operating Results

(amounts in millions)

(unaudited)

	Quarter		% Change	Year to date		% Change
	9/9/06	9/3/05	B/(W)	9/9/06	9/3/05	B/(W)
Company sales	\$ 445	\$ 349	28	\$1,066	\$ 844	26
Franchise and license fees	15	11	27	34	27	24
Revenues	460	360	28	1,100	871	26
Company restaurants						
Food and paper	156	123	(27)	378	304	(24)
Payroll and employee benefits	51	42	(21)	133	108	(23)
Occupancy and other operating expenses	133	111	(19)	325	270	(20)
	340	276	(23)	836	682	(23)
General and administrative expenses	30	25	(25)	71	60	(17)
Franchise and license expenses	--	--	NM	--	--	NM
Closures and impairment expenses	--	--	NM	2	2	NM
Other (income) expense	(15)	(24)	(36)	(29)	(33)	(13)
	355	277	(28)	880	711	(24)
Operating profit	\$ 105	\$ 83	26	\$ 220	\$ 160	38
Company sales	100.0 %	100.0 %		100.0 %	100.0 %	
Food and paper	35.0	35.4	0.4 ppts.	35.4	36.0	0.6 ppts.
Payroll and employee benefits	11.4	12.0	0.6 ppts.	12.5	12.9	0.4 ppts.
Occupancy and other operating expenses	29.9	32.0	2.1 ppts.	30.5	32.0	1.5 ppts.
Restaurant margin	23.7 %	20.6 %	3.1 ppts.	21.6 %	19.1 %	2.5 ppts.

Please note that the results for all periods presented include the negative impact of expensing stock options and stock appreciation rights.

See accompanying notes

China Division includes mainland China, Thailand and KFC Taiwan

Yum! Brands, Inc. Condensed Consolidated Balance Sheets

(amounts in millions)

ASSETS	(unaudited)	
	9/9/06	12/31/05
Current Assets		
Cash and cash equivalents	\$ 271	\$ 158
Short-term investments	123	43

Accounts and notes receivable, less allowance: \$16 in 2006 and \$23 in 2005	223	236
Inventories	80	85
Prepaid expenses and other current assets	90	75
Deferred income taxes	150	163
Advertising cooperative assets, restricted	99	77
	-----	-----
Total Current Assets	1,036	837
Property, plant and equipment, net of accumulated depreciation and amortization of \$2,994 in 2006 and \$2,830 in 2005	3,276	3,356
Goodwill	546	538
Intangible assets, net	338	330
Investments in unconsolidated affiliates	190	173
Other assets	515	464
	-----	-----
Total Assets	\$5,901	\$5,698
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$1,212	\$1,238
Income taxes payable	103	79
Short-term borrowings	173	211
Advertising cooperative liabilities	99	77
	-----	-----
Total Current Liabilities	1,587	1,605
Long-term debt	1,932	1,649
Other liabilities and deferred credits	1,054	995
	-----	-----
Total Liabilities	4,573	4,249
	-----	-----
Shareholders' Equity		
Preferred stock, no par value, 250 shares authorized; no shares issued	--	--
Common stock, no par value, 750 shares authorized; 265 shares and 278 shares issued in 2006 and 2005, respectively	--	--
Retained earnings	1,462	1,619
Accumulated other comprehensive loss	(134)	(170)
	-----	-----
Total Shareholders' Equity	1,328	1,449
	-----	-----
Total Liabilities and Shareholders' Equity	\$5,901	\$5,698
	=====	=====

See accompanying notes

Yum! Brands, Inc. Condensed Consolidated Statements of Cash Flows

(amounts in millions)

(unaudited)

	Year to date	
	9/9/06	9/3/05
	-----	-----
Cash Flows - Operating Activities		
Net income	\$ 592	\$ 536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	319	319
Closures and impairment expenses	25	43
Refranchising (gain) loss	(7)	(21)
Contributions to defined benefit pension plans	(41)	--
Other liabilities and deferred credits	71	37
Deferred income taxes	(47)	(80)
Equity income from investments in unconsolidated affiliates	(37)	(39)
Distributions of income received from unconsolidated affiliates	26	21
Excess tax benefit from share-based compensation	(40)	(67)
Share-based compensation expense	46	43
Other non-cash charges and credits, net	59	20

Changes in operating working capital, excluding effects of acquisitions and dispositions:		
Accounts and notes receivable	22	(22)
Inventories	7	7
Prepaid expenses and other current assets	(10)	70
Accounts payable and other current liabilities	(47)	42
Income taxes payable	69	86
	-----	-----
Net change in operating working capital	41	183
	-----	-----
Net Cash Provided by Operating Activities	1,007	995
	-----	-----
Cash Flows - Investing Activities		
Capital spending	(323)	(362)
Proceeds from refranchising of restaurants	96	79
Acquisition of restaurants from franchisees	(11)	--
Short-term investments	(79)	(32)
Sales of property, plant and equipment	33	25
Other, net	(16)	20
	-----	-----
Net Cash Used in Investing Activities	(300)	(270)
	-----	-----
Cash Flows - Financing Activities		
Proceeds from Senior Unsecured Notes	300	--
Revolving Credit Facility activity		
Three months or less, net	(26)	78
Repayments of long-term debt	(207)	(11)
Short-term borrowings-three months or less, net	162	(32)
Repurchase shares of common stock	(853)	(678)
Excess tax benefit from share-based compensation	40	67
Employee stock option proceeds	93	113
Dividends paid on common shares	(104)	(91)
Other, net	(2)	--
	-----	-----
Net Cash Used in Financing Activities	(597)	(554)
	-----	-----
Effect of Exchange Rate on Cash and Cash Equivalents	3	(4)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	113	167
Net Increase in Cash and Cash Equivalents of Mainland China for December 2004	--	34
Cash and Cash Equivalents - Beginning of Period	158	62
	-----	-----
Cash and Cash Equivalents - End of Period	\$ 271	\$ 263
	=====	=====

See accompanying notes

Notes to the Consolidated Summary of Results, Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows

(amounts in millions, except per share amounts)

(unaudited)

(a) Percentages may not recompute due to rounding.

(b) All periods presented reflect the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123R) effective September 4, 2005. The Company adopted SFAS 123R by applying the modified retrospective application transition method to the beginning of 2005, and as such the first three fiscal quarters of 2005 were adjusted to recognize the compensation cost for stock options previously reported only in the financial statement proforma footnote disclosures as required by SFAS No. 123, "Accounting for Stock- Based Compensation". Previously reported diluted EPS prior to the adoption of SFAS 123R and this adjustment was \$0.72 and \$1.87 in the quarter and year to date ended September 3, 2005, respectively.

(c) Amounts presented as of and for the quarter and year to date ended September 9, 2006 are preliminary.

(d) Other (income) expense includes equity income from investments in unconsolidated affiliates. In the quarter ended March 25, 2006, we also recorded an \$8 million charge associated with the termination of a beverage agreement in the United States segment as other expense. In the quarter ended June 11, 2005, we recorded a \$17 million gain associated with the IPO of our Poland/Czech Republic business as other income.

In the quarter ended September 3, 2005 we recorded a partial financial recovery of \$14 million related to a China supplier ingredient issue as other income.

(e)Income of \$2 million was recorded in the quarter ended September 3, 2005 from a settlement with an insurance carrier related to the legal judgment against Taco Bell Corp. on June 4, 2003, in Wrench v. Taco Bell Corp.

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