YUM BRANDS INC

FORM 8-K
(Unscheduled Material Events)

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

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 7, 2003

Commission file number 1-13163

YUM! BRANDS, INC.
(Exact name of registrant as specified in its charter)

North Carolina	13-3951308
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

Item 12.	Results of Operations and Financial Condition

The information in this Form 8-K is furnished under "Item 12. Disclosure of Results of Operations and Financial Condition" in accordance with SEC Release No. 33-8176. The information in this Form 8-K and the Exhibit attached hereto shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On October 7, 2003 YUM! Brands, Inc. issued a press release announcing financial results for the quarter ended September 6, 2003. A copy of the press release is attached hereto as Exhibit 99.1.

99.1	Press release dated October 7, 2003 announcing financial results of the quarter ended September 6, 2003.

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 7, 2003

/s/ David J. Deno

Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

Yum! Brands Inc. Reports Third-Quarter Earnings Per Share, EPS, of $0.54 Prior to Special Items. Including a Special Items Charge of $0.01, Reported EPS Was $0.53.

LOUISVILLE, Ky.--(BUSINESS WIRE)--Oct. 7, 2003--Yum! Brands Inc. (NYSE: YUM):

-- INCREASES FULL-YEAR 2003 EPS GUIDANCE TO AT LEAST $2.03 PRIOR TO SPECIAL ITEMS. REPORTED EPS IS EXPECTED TO BE $1.94, INCLUDING $0.09 OF SPECIAL-ITEMS CHARGES.

-- REPORTS PERIOD 10 ESTIMATED INTERNATIONAL SYSTEM SALES INCREASED 14% IN U.S. DOLLAR TERMS OR 10% PRIOR TO U.S. DOLLAR CONVERSION.

-- REPORTS PERIOD 10 ESTIMATED U.S. BLENDED SAME-STORE SALES AT COMPANY RESTAURANTS INCREASED 1% VERSUS LAST YEAR.

Yum! Brands Inc. today reported results for the third quarter ended September 6, 2003.

Key highlights for the quarter were

-- 6% increase in traditional international restaurants in operation versus end of third quarter 2002.

-- 20% increase in international franchise and license fees versus third quarter 2002.

-- 18% increase in U.S. multibrand restaurants in operation versus end of third quarter 2002.

-- The company paid down debt of $137 million, invested capital of $145 million and repurchased shares, spending $39 million.

The company took a $6.8 million pretax special-items charge this quarter for interest charges related to the previously announced legal judgment against Taco Bell in Wrench v. Taco Bell Corp. The company plans to appeal the original jury verdict, and if unsuccessful on appeal, intends to seek reimbursement from appropriate parties. Future interest charges will be accrued until the appeal process is concluded.

Financial Highlights
(million, except unit counts and per-diluted-share amounts)

	Third Quarter 2003	% Change Vs. Prior Year	Year to Date 2003	% Change Vs. Prior Year
Traditional System Units	30,598	2	30,598	2
Revenues	$1,989	4	$5,727	8
EPS before Special Items	$0.54	17	$1.41	11
Special Items EPS	$0.01	NM	$0.09	NM
Reported EPS	$0.53	14	$1.32	Even

Notes to the preceding comments and table:

"System Units" excludes licensed locations and includes company-owned, franchise and joint-venture restaurants.
"Special Items" include AmeriServe and other charges (credits), which were previously referred to as unusual items in 2002, Wrench litigation and cumulative effect of accounting change, net of tax. See attachments to this press release for reconciliations of non-GAAP measurements to GAAP results.
See the attachments to this press release for a description of Estimated System Sales, a key operating metric.

David C. Novak, Chairman and CEO, said: "Continued robust new international restaurant growth, a strengthening in international same-store sales versus our expectations and another solid performance by Taco Bell contributed to 17 percent growth in EPS before special items. Additionally, Pizza Hut had one of its best quarters in same-store-sales growth since the first half of 2001.
"While both Pizza Hut and Taco Bell had positive sales performances, continued weakness at KFC negatively impacted U.S. blended same-store-sales results. We have made a major change in the KFC brand's leadership by appointing a new president and a new chief marketing and food innovation officer. We fully expect this team to turn around KFC's business performance.

"Given our overall performance and the strength of the largest businesses in our global portfolio, we are increasing our 2003 EPS guidance to at least $2.03 before special items. We are confident, looking ahead to 2004, of continuing to deliver our stated goal of at least 10 percent growth in EPS. Our confidence is based on the progress we are making towards executing our three key strategies:
international new-restaurant growth, U.S. multibrand innovation and expansion, and differentiation of our core-brand portfolio by dramatically improving U.S. restaurant operations. This combination of strategies is unique to the restaurant industry and makes us anything but an ordinary restaurant company."

Following is an update on Yum! Brands' international and U.S. businesses as well as key business-growth drivers, which include international expansion, multibrand innovation and expansion in the U.S., portfolio of category-leading brands, franchise-fee growth and substantial cash generation with high returns.

INTERNATIONAL BUSINESS

Third Quarter Year to Date

million, Incr/(Decr) Incr/(Decr) except unit---

counts and percentages	2003	2002	Reported	Excl F/x	2003	2002	Reported	Excl F/x
Revenues	$652	$593	+10%	+6%	$1,810	$1,640	+10%	+6%
Restaurant Margin %	15.9	16.9	(1.0) ppt	(0.8) ppt	15.2	16.2	(1.0) ppt	(0.8) ppt
Operating Profit	$114	$90	+26%	+19%	$297	$249	+19%	+13%
Operating Metrics								
Traditional System Units	11,845	11,202	+6%	NM	11,845	11,202	+6%	NM
Est. System-Sales Growth			+12%	+6%			+13%	+6%

Notes to the preceding table:

"Excl F/x" is prior to foreign currency conversion to U.S. dollars.
"Traditional System Units" excludes licensed locations and includes company-owned, franchise and joint-venture restaurants.
See the attachments to this press release for a description of Estimated System Sales, a key operating metric.

In the third quarter for the company's international business, continued expansion of our key international brands -- KFC and Pizza Hut -- was the primary driver of revenue and operating-profit growth. Same-store sales in company markets and the overall system were down versus last year. Markets and businesses with positive same-store sales included KFC Australia, the U.K., Pizza Hut Korea, the Middle East and KFC South Africa. Markets and businesses experiencing negative growth included China, Japan, Mexico and Taiwan KFC. Restaurant margins were down in the third quarter primarily due to sales deleverage in Mexico. The favorable impact of foreign currency conversion added $6 million to operating profit for the third quarter.

UNITED STATES BUSINESS

	Third Quarter			Year to Date		
million, except unit counts and percentages	2003	2002	Incr/(Decr)	2003	2002	Incr/(Decr)
Revenues	$1,337	$1,322	+1%	$3,917	$3,656	+7%
Restaurant Margin %	14.8	16.2	(1.4) ppts	14.5	16.3	(1.8) ppts
Operating Profit	$204	$205	Even	$572	$563	+2%
Operating Metrics						
Traditional System Units	18,753	18,861	(1)%	18,753	18,861	(1)%
Multibrand Units	2,018	1,715	+18%	2,018	1,715	18%
Est. System-Sales Growth			Even			+4%

Notes to the preceding table:

"Traditional System Units" excludes licensed locations and includes company-owned, franchise and joint-venture restaurants.
See the attachments to this press release for a description of Estimated System Sales, a key operating metric.

In the third quarter, U.S. blended same-store sales for franchise (estimated) and company restaurants were both even with the same period last year.
In the third quarter, U.S. restaurant margin was negatively impacted by sales deleverage at KFC, higher commodity costs (primarily cheese and beef) and higher occupancy costs.
Traditional system units decreased slightly primarily due to A&W single-brand and Pizza Hut dine-in restaurant closures. The company expects these modest restaurant declines will continue in the near term for these two brands. A&W distribution is expected to grow as the brand is paired with KFC and Long John Silver's in a multibrand format. This expanded A&W distribution would be reflected in KFC and Long John Silver's multibrand units. Taco Bell and KFC restaurant counts were approximately even versus the prior year.

WORLDWIDE NEW-RESTAURANT DEVELOPMENT

New-Restaurant Openings	Third Quarter	Year to Date
Worldwide	305	865
International	213	616
United States	92	249

Note to the preceding table:

"New-Restaurant Openings" excludes licensed locations.

Worldwide new-restaurant openings for the third quarter were driven by growth in new international restaurants from our global brands: KFC and Pizza Hut. Primary growth drivers were four key international markets -- China, the U.K., Mexico and Korea -- with 94 new restaurant openings this quarter. Franchise and joint-venture partners opened 70% of systemwide new international restaurants year to date. Net traditional restaurant count increased 31% in China, 12% in Mexico, 9% in the U.K., and 2% in Korea versus the end of the third quarter 2002. In key franchise markets year-over-year unit growth was 10% in Asia, 5% in the Middle East, 4% in South Africa and 5% in Caribbean/Latin America.
This discussion excludes changes in licensed-unit locations, which are expected to have no material impact on the company's overall profit performance in 2003. Licensed locations are typically nontraditional sites, such as airports, that normally have substantially lower average unit volumes than traditional restaurant locations.

MULTIBRAND EXPANSION

	Third Quarter		
Multibrand Restaurants in Operation	2003	2002	Incr/(Decr)
U.S. Systemwide	2,018	1,715	+18%
% U.S. System Units	11%	9%	+2 ppts

Note to the preceding table:

"System Units" excludes licensed locations.

In the third quarter, 108 multibrand restaurants were added in the U.S., bringing the total to 234 U.S. multibrand additions year to date. In the U.S., third-quarter company and franchise additions were 65 and 43 respectively. Approximately 50% of the U.S. multibrand additions are expected to be conversions of existing single-brand restaurants, and 50% are expected to be new-restaurant openings for full year 2003.

FRANCHISE GROWTH AND FEES

	Third Quarter	Year to Date
Franchise Restaurant Net Growth Vs. Q3 2002	+1%	+1%
Total Franchise Fees ($ million)	$224	$642
Growth Vs. 2002	+6%	+8%

Notes to the preceding table:

"Franchise Restaurant" includes joint ventures; excludes licensed restaurants.
"Franchise Fees" includes fees from joint ventures and licensed restaurants. Fees are for ongoing royalties and initial fees.

For the third quarter, favorable foreign currency conversion added 2 percentage points of franchise-fee growth. Excluding foreign currency conversion, franchise fees increased 4%, primarily driven by net new-restaurant development and increased international royalty rates.

CASH-FLOW GENERATION

$ million cash inflow/(cash outflow)	Third Quarter	Year to Date
Net Cash Provided by Operating Activities	405	769
Proceeds from Refranchising Restaurants	-	11
Employee Stock-Option Proceeds	36	70
Sales of Property, Plant and Equipment	9	29
Total Cash Generated	450	879
Capital Spending and Franchise Acquisitions	(145)	(388)
Debt -- Net Proceeds/(Payments)	(137)	(218)
Repurchase Shares of Common Stock	(39)	(121)

Notes to the preceding table:

-- See the attachments to this press release for reconciliations of non-GAAP measurements to GAAP results.

-- Number of shares repurchased: 1,330,000 in the third quarter and 4,657,700 year to date.

-- See the attachments to this press release for the Condensed Consolidated Statement of Cash Flows.

For third quarter and year to date, the company more than funded capital spending with net cash provided by operating activities. Additional cash was generated from employee stock-option proceeds and sales of property, plant and equipment. As a result, the company was able to reduce debt and repurchase stock as indicated in the preceding table.
Subsequent to the end of the quarter, the company contributed $130 million in cash to the closed pension plan.

FOURTH-QUARTER 2003 OUTLOOK

The company is comfortable with the current consensus estimate of $0.62 in reported EPS in the fourth quarter. At this time, the company expects no net special-items EPS impact in the quarter. This is an increase of $0.07, or 11%, compared to last year's performance, prior to a gain of $0.01 from special items in 2002.
Projected factors contributing to the company's EPS expectations are

-- International system-sales growth of +8% to +9% prior to foreign currency conversion, or +12% to +13% after conversion to U.S. dollars. Year-over-year net growth in international traditional restaurants of +5% to +6% will be the primary driver with slightly positive same-store-sales growth expected systemwide.

-- Based on current foreign currency rates, the company expects a benefit of $5 to $6 million from foreign currency conversion on operating profit for the fourth quarter. The Chinese renminbi, British pound sterling, Australian dollar, Korean won, Japanese yen, Canadian dollar, and Mexican peso are important currencies in the company's international business.

-- U.S. blended same-store-sales growth for company restaurants of approximately 1%.

-- Worldwide company restaurant margin is expected to be down approximately 1.5 percentage points from fourth quarter last year. International margin is expected to decline by approximately 1 percentage point.

-- General and administrative expenses flat versus last year in U.S. dollar terms.

-- Interest expense down approximately $9 million from last year.

-- Refranchising gains slightly higher than last year.

-- A targeted tax rate before special items of 29% to 31% versus 30% last year.

ANNUAL OUTLOOK

The company expects earnings per share to grow at least 10% each year with the continued execution of its three key strategies: (1) international new-restaurant growth; (2) multibrand restaurant innovation and expansion in the U.S.; and (3) dramatically improving restaurant operations and differentiating our core-brand portfolio.

For 2003, the company expects worldwide revenue growth of 7% to 8%, which includes 2 percentage points from the favorable impact of the Long John Silver's and A&W acquisition, at least 2% worldwide traditional system restaurant growth and U.S. company blended same-store sales even with last year.

	Forecast 2003	Actual 2002	Incr/(Decr)
EPS Before Special Items	$2.03	$1.82	+11%
Special Items EPS	$(0.09)	$0.06	NM
Reported EPS	$1.94	$1.88	+3%

PERIOD 10 SALES

Period 10 estimated international system sales increased 10% prior to foreign currency conversion or 14% after conversion to U.S. dollars. Estimated U.S. blended same-store sales at company restaurants increased 1% versus last year for the comparable four-week period ended October 4, 2003 (Period 10).

INTERNATIONAL SYSTEM Sales Growth (Estimated)

	Prior-Year Reported (U.S.$)	Local Currency Basis	Local Currency Basis
Period 10	+14%	+10%	+9%

U.S. Company Same-Store Sales Growth (Estimated)

	Period 10 Current Year	Period 10 Prior Year
U.S. BLENDED	+1%	(1)%
Taco Bell	+3%	+3%
Pizza Hut	+1%	+3%
KFC	(1)%	(10)%

NOTES

Sales results for Period 11 (the four-week period ending November 1, 2003), are scheduled to be released November 6, 2003, before market hours.

U.S. same-store sales include only company restaurants that have been open one year or more. U.S. blended same-store sales include KFC, Pizza Hut, and Taco Bell company-owned restaurants only. U.S. same-store sales for Long John Silver's and A&W restaurants are not included. U.S. franchise and systemwide same-store sales results are reported quarterly within the company's earnings release and include only KFC, Pizza Hut and Taco Bell Restaurants.

International system sales include the total of sales from approximately 12,000 company, franchise, license, and joint-venture restaurants in over 100 countries and territories outside the United States. The international business period close is one period prior to the company's period-end date to facilitate consolidated reporting. Please refer to the reporting calendar posted on Yum! Brands' web site at the following URL: http://investors.yum.com/ireye/ir_site.zhtml?ticker=YUM&script=1000.

CONFERENCE CALL

Yum! Brands Inc. will hold a conference call to review the company's financial performance and strategies at 9:15 a.m. EDT Wednesday, October 8, 2003.

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 Wednesday, October 8, at 12:15 p.m. EDT through Friday, October 24, at midnight EDT. To access the playback, dial 800/642-1687 in the U.S.A. and 706/645-9291 internationally. The playback pass code is 2511659.

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." (Windows Media Player is required, which can be downloaded at no charge from the following URL: http://www.microsoft.com/windows/windowsmedia/players.asp. The process could take several minutes.)

2003 ANNUAL CONFERENCE FOR INVESTORS & ANALYSTS

Please note, Wednesday, December 10, Yum! Brands will host the company's Annual Conference for Investors and Analysts from approximately 8:00 a.m. to 1:00 p.m. Eastern Time, at The St. Regis Hotel in New York. Everyone is invited, but on-line registration is required before 5:00 p.m. Eastern Time Friday, December 5. To register, please log on to the following URL: www.regweb.com/Yum/03IRConference.
If you have questions, call Yum! Brands Investor Relations at 888/298-6986.

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. Factors that can cause actual results to differ materially include changes in global and local business, economic and political conditions in the countries and territories where Yum! Brands operates; changes in currency exchange and interest rates; changes in commodity, labor and other operating costs; changes in competition in the food industry, consumer preferences, spending patterns and demographic trends; the effectiveness of our operating initiatives and advertising and promotional efforts; new-product and concept development by Yum! Brands and other food-industry competitors; the success of our refranchising strategy; the ongoing business viability of our franchise and license operators; our ability to secure alternative distribution to our restaurants at competitive rates and to ensure adequate supplies of restaurant products and equipment in our stores; the impact that Severe Acute Respiratory Syndrome (SARS) may have on our business and the economy of the countries in which we operate; our actuarially determined casualty loss estimates; changes in legislation and governmental regulations; 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 units with approximately 33,000 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 2,000 multibrand restaurants. Outside the United States in 2002, 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. In 2002, the company changed its name to Yum! Brands, Inc., from Tricon Global Restaurants, Inc., to reflect its expanding portfolio of brands and its ticker symbol on the New York Stock Exchange.

Analysts are invited to contact
Tim Jerzyk, Vice President Investor Relations, at 888/298-6986

Individual shareholders are invited to contact Lynn Schweinfurth, 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. Condensed Consolidated Statements of Income

(amounts in millions, except per share amounts)

	Quarter		% Change	Year to date		% Change
	9/6/03	9/7/02	B/(W)	9/6/03	9/7/02	B/(W)
Revenues						
Company sales	$1,765	$1,705	4	$5,085	$4,702	8
Franchise and license fees	224	210	6	642	594	8
Revenues	1,989	1,915	4	5,727	5,296	8
Costs and expenses, net						
Company restaurants						
Food and paper	544	517	(5)	1,568	1,438	(9)
Payroll and employee benefits	473	457	(4)	1,396	1,274	(10)
Occupancy and other operating expenses	481	450	(7)	1,373	1,224	(12)
	1,498	1,424	(5)	4,337	3,936	(10)
General and administrative expenses	212	219	3	623	616	(1)
Franchise and license expenses	7	12	46	20	31	37
Other (income)						

expense	(7)	9	NM	(13)	21	NM
Refranchising net loss (gain)	6	(3)	NM	13	(9)	NM
Wrench litigation	7	-	NM	42	-	NM
AmeriServe and other charges (credits)	(3)	(4)	NM	(1)	(24)	NM
Total costs and expenses, net	1,720	1,657	(4)	5,021	4,571	(10)
Operating profit	269	258	4	706	725	(3)
Interest expense, net	39	45	14	123	112	(9)
Income before income taxes and cumulative effect of accounting change	230	213	8	583	613	(5)
Income tax provision	66	66	-	179	202	11
Income before cumulative effect of accounting change	164	147	12	404	411	(2)
Cumulative effect of accounting change, net of tax	-	-	-	(1)	-	NM
Net income	$164	$147	12	$403	$411	(2)
Basic EPS Data						
EPS	$0.56	$0.49	13	$1.37	$1.39	(1)
Average shares outstanding	294	297	1	293	296	1
Diluted EPS Data						
EPS	$0.53	$0.47	14	$1.32	$1.32	-
Average shares outstanding	307	312	2	305	312	2

See accompanying notes.

Wrench litigation, AmeriServe and other charges (credits) and Cumulative effect of accounting change, net of tax have been summed and referred to as "Special Items" throughout this press release. See accompanying reconciliation of non-GAAP measurements to GAAP results.

Yum! Brands, Inc. WORLDWIDE Operating Results

(amounts in millions)

	Quarter		% Change	Year to date		% Change
	9/6/03	9/7/02	B/(W)	9/6/03	9/7/02	B/(W)
Company sales	$1,765	$1,705	4	$5,085	$4,702	8
Franchise and license fees	224	210	6	642	594	8
Revenues	1,989	1,915	4	5,727	5,296	8
Company restaurants						
Food and paper	544	517	(5)	1,568	1,438	(9)

Payroll and employee benefits	473	457	(4)	1,396	1,274	(10)
Occupancy and other operating expenses	481	450	(7)	1,373	1,224	(12)
	1,498	1,424	(5)	4,337	3,936	(10)
General and administrative expenses	212	219	3	623	616	(1)
Franchise and license expenses	7	12	46	20	31	37
Other (income) expense	(7)	9	NM	(13)	21	NM
Refranchising net loss (gain)	6	(3)	NM	13	(9)	NM
	1,716	1,661	(3)	4,980	4,595	(8)
Operating profit before special items	273	254	8	747	701	7
Interest expense, net	39	45	14	123	112	(9)
Income tax provision	67	65	(5)	194	194	(1)
Earnings before special items	$167	$144	16	$430	$395	9

Tax rate before special items and cumulative effect of accounting change	29.0%	31.0%	2.0 ppts.	31.1%	32.8%	1.7 ppts.

Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	30.8	30.3	(0.5) ppts.	30.8	30.6	(0.2) ppts.
Payroll and employee benefits	26.8	26.8	-	27.5	27.1	(0.4) ppts.
Occupancy and other operating expenses	27.3	26.5	(0.8) ppts.	27.0	26.0	(1.0) ppts.
Restaurant margin	15.1%	16.4%	(1.3) ppts.	14.7%	16.3%	(1.6) ppts.

Reconciliation of Segment Operating Profit to Reported Operating Profit

U.S. operating profit	$204	$205	-	$572	$563	2
International operating profit	114	90	26	297	249	19
Unallocated and corporate expense	(38)	(43)	11	(107)	(119)	10
Unallocated other income (expense)	(1)	(1)	NM	(2)	(1)	NM
Refranchising net gain (loss)	(6)	3	NM	(13)	9	NM

Operating profit before

special items	273	254	8	747	701	7
Wrench litigation	(7)	-	NM	(42)	-	NM
AmeriServe and other (charges) credits	3	4	NM	1	24	NM
Reported operating profit	$269	$258	4	$706	$725	(3)

See accompanying notes and reconciliations of non-GAAP measurements to GAAP results.

Yum! Brands, Inc. UNITED STATES Operating Results

(amounts in millions)

	Quarter		% Change	Year to date		% Change
	9/6/03	9/7/02	B/(W)	9/6/03	9/7/02	B/(W)
Company sales	$1,199	$1,183	1	$3,518	$3,262	8
Franchise and license fees	138	139	(1)	399	394	1
Revenues	1,337	1,322	1	3,917	3,656	7
Company restaurants						
Food and paper	344	330	(4)	1,010	916	(10)
Payroll and employee benefits	366	361	(2)	1,093	1,005	(9)
Occupancy and other operating expenses	311	299	(4)	905	808	(12)
	1,021	990	(3)	3,008	2,729	(10)
General and administrative expenses	108	112	4	325	318	(2)
Franchise and license expenses	4	9	63	10	24	59
Other (income) expense	-	6	NM	2	22	NM
	1,133	1,117	(1)	3,345	3,093	(8)
Operating profit	$204	$205	-	$572	$563	2
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	28.7	28.0	(0.7) ppts.	28.7	28.1	(0.6) ppts.
Payroll and employee benefits	30.6	30.5	(0.1) ppts.	31.1	30.8	(0.3) ppts.
Occupancy and other operating expenses	25.9	25.3	(0.6) ppts.	25.7	24.8	(0.9) ppts.
Restaurant margin	14.8%	16.2%	(1.4) ppts.	14.5%	16.3%	(1.8) ppts.

See accompanying notes.

Yum! Brands, Inc. INTERNATIONAL Operating Results

(amounts in millions)

	Quarter 9/6/03	Quarter 9/7/02	% Change B/(W)	Year to date 9/6/03	Year to date 9/7/02	% Change B/(W)
Company sales	$566	$522	8	$1,567	$1,440	9
Franchise and license fees	86	71	20	243	200	21
Revenues	652	593	10	1,810	1,640	10
Company restaurants						
Food and paper	200	187	(7)	558	522	(7)
Payroll and employee benefits	107	96	(11)	303	269	(13)
Occupancy and other operating expenses	170	151	(12)	468	416	(12)
	477	434	(10)	1,329	1,207	(10)
General and administrative expenses	67	64	(4)	192	179	(7)
Franchise and license expenses	2	3	7	9	7	(41)
Other (income) expense	(8)	2	NM	(17)	(2)	NM
	538	503	(7)	1,513	1,391	(9)
Operating profit	$114	$90	26	$297	$249	19
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	35.2	35.6	0.4 ppts.	35.6	36.2	0.6 ppts.
Payroll and employee benefits	18.9	18.4	(0.5) ppts.	19.3	18.7	(0.6) ppts.
Occupancy and other operating expenses	30.0	29.1	(0.9) ppts.	29.9	28.9	(1.0) ppts.
Restaurant margin	15.9%	16.9%	(1.0) ppts.	15.2%	16.2%	(1.0) ppts.

See accompanying notes.

YUM! Brands, Inc. Condensed Consolidated Balance Sheets

(amounts in millions)

	9/6/03	12/28/02
ASSETS		
Current Assets		
Cash and cash equivalents	$298	$130
Short-term investments, at cost	26	27
Accounts and notes receivable, less allowance: $32 in 2003 and $42 in 2002	186	168
Inventories	67	63
Assets classified as held for sale	95	111
Prepaid expenses and other current assets	107	110
Deferred income taxes	121	121
Total Current Assets	900	730
Property, plant and equipment, net	3,128	3,037
Goodwill	493	485
Intangible assets	361	364
Investments in unconsolidated affiliates	229	229
Other assets	544	555

	9/6/03	12/28/02
Total Assets	$5,655	$5,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	$1,199	$1,166
Income taxes payable	268	208
Short-term borrowings	97	146
Total Current Liabilities	1,564	1,520
Long-term debt	2,046	2,299
Other liabilities and deferred credits	1,042	987
Total Liabilities	4,652	4,806
Shareholders' Equity		
Preferred stock, no par value, 250 shares authorized; no shares issued	-	-
Common stock, no par value, 750 shares authorized; 294 shares issued in 2003 and 2002	1,024	1,046
Retained earnings (accumulated deficit)	200	(203)
Accumulated other comprehensive income (loss)	(221)	(249)
Total Shareholders' Equity	1,003	594
Total Liabilities and Shareholders' Equity	$5,655	$5,400

See accompanying notes.

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

(amounts in millions)

	Year to date	
	9/6/03	9/7/02
Cash Flows - Operating Activities		
Net income	$403	$411
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change, net of tax	1	-
Depreciation and amortization	273	244
Refranchising net loss (gain)	13	(9)
Wrench litigation	42	-
AmeriServe and other charges (credits)	(3)	(1)
Other liabilities and deferred credits	(24)	13
Deferred income taxes	2	3
Other non-cash charges and credits, net	41	56
Changes in operating working capital, excluding effects of acquisitions and dispositions:		
Accounts and notes receivable	3	34
Inventories	(4)	12
Prepaid expenses and other current assets	(17)	5
Accounts payable and other current liabilities	(19)	(26)
Income taxes payable	58	93
Net change in operating working capital	21	118
Net Cash Provided by Operating Activities	769	835
Cash Flows - Investing Activities		
Capital spending	(358)	(461)
Proceeds from refranchising of restaurants	11	67
Acquisition of Yorkshire Global Restaurants, Inc.	-	(275)
Acquisition of restaurants from franchisees	(30)	(13)
Short-term investments	3	(3)
Sales of property, plant and equipment	29	33
Other, net	9	2
Net Cash Used In Investing Activities	(336)	(650)
Cash Flows - Financing Activities		

Proceeds from Senior Unsecured Notes	-	398
Revolving Credit Facility activity		
Three months or less, net	(153)	79
Repayments of long-term debt	(15)	(498)
Short-term borrowings-three months or less, net	(50)	(25)
Repurchase shares of common stock	(121)	(161)
Employee stock option proceeds	70	110
Other, net	-	(15)
Net Cash (Used In) Provided by Financing Activities	(269)	(112)
Effect of Exchange Rates on Cash and Cash Equivalents	4	3
Net Increase in Cash and Cash Equivalents	168	76
Cash and Cash Equivalents - Beginning of Period	130	110
Cash and Cash Equivalents - End of Period	$298	$186

See accompanying notes.

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

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 on a basis before special items. Special items include the GAAP income statement captions of Wrench litigation, AmeriServe and other charges (credits) and the Cumulative effect of accounting change, net of tax. These amounts are described in (d), (e) and (f) in the accompanying notes.

The Company uses earnings before special items as a key performance measure of results of operations for purposes of evaluating performance internally. 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 that the Company does not believe are indicative of our ongoing operations.

	Quarter		Year to date	
	9/6/03	9/7/02	9/6/03	9/7/02
Detail of Special Items				
Wrench litigation	$(7)	$-	$(42)	$-
AmeriServe and other (charges) credits	3	4	1	24
Cumulative effect of accounting change	-	-	(2)	-
Total special items	(4)	4	(43)	24
Tax on special items	1	(1)	16	(8)
Special items, net of tax	$(3)	$3	$(27)	$16
Average shares outstanding	307	312	305	312
Special items diluted EPS	$(0.01)	$0.01	$(0.09)	$0.05
Reconciliation of Earnings Before Special Items to Net Income				
Earnings before special items	$167	$144	$430	$395
Special items, net of tax	(3)	3	(27)	16
Net income	$164	$147	$403	$411
Reconciliation of EPS Before Special Items to Reported EPS				
Diluted EPS before special items	$0.54	$0.46	$1.41	$1.27
Special items diluted EPS	(0.01)	0.01	(0.09)	0.05
Reported diluted EPS	$0.53	$0.47	$1.32	$1.32

Reconciliation of Non-GAAP Measurements to GAAP Results

(amounts in millions)

The Company has also provided a non-GAAP measurement - total cash generated - which is intended to measure cash flow inclusive of certain items not contained in the GAAP measurement of net cash provided by operating activities. This non-GAAP measurement is not intended to replace presentations of cash flows in accordance with GAAP. Rather, we use total cash generated to measure Company cash flow internally, and the presentation of total cash generated provides additional information to investors as to cash available to the Company to fund capital spending, repurchases of shares of common stock and debt repayments.

Reconciliation of Net Cash Provided by Operating

Activities to Total Cash Generated	Quarter	Year to date
Net cash provided by operating activities	$405	$769
Proceeds from refranchising of restaurants	-	11
Sales of property, plant and equipment	9	29
Employee stock option proceeds	36	70
Total cash generated	$450	$879

Notes to the Condensed Consolidated Statements of Income and Cash Flows and Condensed Consolidated Balance Sheets

(amounts in millions, except per share amounts)

(a) Percentages may not recompute due to rounding.

(b) Other (income) expense includes the following:

	Quarter		Year to date	
	9/6/03	9/7/02	9/6/03	9/7/02
Store closure costs	$-	$4	$(2)	$17
Store impairment charges	3	12	13	24
Equity income from investments in unconsolidated affiliates	(9)	(6)	(22)	(19)
Foreign exchange net loss (gain)	(1)	(1)	(2)	(1)
Other (income) expense	$(7)	$9	$(13)	$21

(c) Refranchising net loss (gain) includes write-downs of approximately $5 million ($3 million after tax) and $15 million ($9 million after tax) for the quarter and year to date ended September 6, 2003, respectively, to reflect estimates of the fair value of an international market which is held for sale.

(d) The amounts recorded as Wrench litigation for the year to date ended September 6, 2003 reflect the legal judgment against Taco Bell Corp. on June 4, 2003 in Wrench v. Taco Bell Corp. and related interest. The amount recorded as Wrench litigation for the quarter ended September 6, 2003 reflects the interest accrued for the passage of time during the quarter and an adjustment to previously recorded interest necessary as a result of an amended judgment on September 9, 2003.

(e) The amount recorded as AmeriServe and other charges (credits) for the quarter ended September 6, 2003 primarily resulted from the reversal of reserves associated with the settlement of certain wage and hour litigation. The amount recorded as AmeriServe and other charges (credits) for the year to date ended September 6, 2003 primarily resulted from recoveries related to the AmeriServe bankruptcy reorganization process and the reversal of reserves associated with the settlement of certain wage and hour litigation, partially offset by costs to defend certain wage and hour litigation and integration costs related to our acquisition of Yorkshire Global Restaurants, Inc. ("YGR"). Amounts recorded as AmeriServe and other charges (credits) for the quarter and year to date ended September 7, 2002, which were referred to as unusual items in 2002, primarily resulted from recoveries related to the AmeriServe bankruptcy reorganization process partially offset by costs to defend certain wage and hour litigation and integration costs related to the acquisition of YGR.

(f) Effective December 29, 2002, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 addresses the financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. As a result of obligations under certain leases that are within the scope of SFAS 143, the Company has recorded a cumulative effect adjustment of $2 million ($1 million after tax). The adoption of SFAS

143 did not materially affect the results of our operations for the quarter or year to date ended September 6, 2003, nor do we anticipate that it will materially affect the results of operations in future periods.

(g) System sales include the results of all restaurants regardless of ownership, including company-owned, franchise, joint-venture and license restaurants. Sales of franchise, joint-venture and license restaurants generate franchise and license fees for us (typically at a rate of 4% - 6% of sales). Franchise, joint-venture and license restaurant sales are not included in the Company sales we present on the Condensed Consolidated Statements of Income; however, the fees are included in the Company's revenues. We believe that system sales are useful to investors as a significant indicator of our Company's market share relative to competitors and the overall strength of our brands in the market place. System sales were as follows:

	Quarter		% Change B/(W)	Year to date		% Change B/(W)
	9/6/03	9/7/02		9/6/03	9/7/02	
United States						
Company sales	$1,199	$1,183	1	$3,518	$3,262	8
Estimated franchisee, licensee and joint venture sales	2,697	2,717	(1)	7,804	7,655	2
System sales	3,896	3,900	-	11,322	10,917	4
International						
Company sales	$566	$522	8	$1,567	$1,440	9
Estimated franchisee, licensee and joint venture sales	1,702	1,508	13	4,878	4,274	14
System sales	2,268	2,030	12	6,445	5,714	13
Worldwide system sales	$6,164	$5,930	4	$17,767	$16,631	7

YUM! Brands, Inc. Restaurant Units Activity Summary For the Year to Date Ended September 6, 2003

	Company	Unconsolidated Affiliates(a)	Franchisees	Total Excluding Licensees	Licensees	Total Units
Total U.S.						
Beginning of Year	5,193	4	13,663	18,860	2,266	21,126
New Builds	80	2	167	249	156	405
Acquisitions	106	-	(108)	(2)	2	-
Refranchising & Licensing	(26)	-	26	-	-	-
Closures & Divestitures	(107)	-	(248)	(355)	(243)	(598)
Other	-	-	1	1	-	1
End of Quarter	5,246	6	13,501	18,753	2,181	20,934
% of Total	25%	-	65%	90%	10%	100%
Total International						
Beginning of Year	2,333	2,144	7,061	11,538	260	11,798
New Builds	183	88	345	616	10	626
Acquisitions	7	(4)	(3)	-	-	-
Refranchising & Licensing	(50)	-	50	-	-	-
Closures & Divestitures	(52)	(40)	(211)	(303)	(10)	(313)
Other	-	-	(6)	(6)	-	(6)
End of Quarter	2,421	2,188	7,236	11,845	260	12,105
% of Total	20%	18%	60%	98%	2%	100%

Total System						
Beginning of Year	7,526	2,148	20,724	30,398	2,526	32,924
New Builds	263	90	512	865	166	1,031
Acquisitions	113	(4)	(111)	(2)	2	-
Refranchising & Licensing	(76)	-	76	-	-	-
Closures & Divestitures	(159)	(40)	(459)	(658)	(253)	(911)
Other	-	-	(5)	(5)	-	(5)
End of Quarter	7,667	2,194	20,737	30,598	2,441	33,039
% of Total	23%	7%	63%	93%	7%	100%

(a) Total U.S. and Total System include 6 Yan Can units.

YUM! Brands, Inc.

Restaurant Units Activity Summary For the Year to Date Ended September 6, 2003

United States

	Company	Franchisees	Total Excluding Licensees	Licensees	Total Units
Pizza Hut U.S.					
Beginning of Year	1,760	4,743	6,503	1,096	7,599
New Builds	25	67	92	116	208
Acquisitions	88	(88)	-	-	-
Refranchising & Licensing	-	-	-	-	-
Closures & Divestitures	(35)	(112)	(147)	(99)	(246)
Other	-	-	-	-	-
End of Quarter	1,838	4,610	6,448	1,113	7,561
% of Total	24%	61%	85%	15%	100%
Taco Bell U.S.					
Beginning of Year	1,284	3,759	5,043	1,122	6,165
New Builds	9	17	26	20	46
Acquisitions	-	(2)	(2)	2	-
Refranchising & Licensing	-	-	-	-	-
Closures & Divestitures	(6)	(34)	(40)	(142)	(182)
Other	-	-	-	-	-
End of Quarter	1,287	3,740	5,027	1,002	6,029
% of Total	21%	62%	83%	17%	100%
KFC U.S.					
Beginning of Year	1,284	4,140	5,424	48	5,472
New Builds	44	55	99	20	119
Acquisitions	18	(18)	-	-	-
Refranchising & Licensing	(13)	13	-	-	-
Closures & Divestitures	(34)	(42)	(76)	(2)	(78)
Other	-	-	-	-	-
End of Quarter	1,299	4,148	5,447	66	5,513
% of Total	24%	75%	99%	1%	100%
Long John Silver's U.S.					
Beginning of Year	741	480	1,221	-	1,221
New Builds	2	15	17	-	17
Acquisitions	-	-	-	-	-
Refranchising & Licensing	(13)	13	-	-	-
Closures &					

Divestitures	(8)	(11)	(19)	-	(19)
Other	4	1	5	-	5
End of Quarter	726	498	1,224	-	1,224
% of Total	59%	41%	100%	-	100%
A&W U.S.					
Beginning of Year	124	541	665	-	665
New Builds	-	13	13	-	13
Acquisitions	-	-	-	-	-
Refranchising & Licensing	-	-	-	-	-
Closures & Divestitures	(24)	(49)	(73)	-	(73)
Other	(4)	-	(4)	-	(4)
End of Quarter	96	505	601	-	601
% of Total	16%	84%	100%	-	100%

YUM! Brands, Inc. Restaurant Units Activity Summary For the Year to Date Ended September 6, 2003

International

Unconsoli- Total dated Franchi- Excluding Total Company Affiliates sees Licensees Licensees Units

Pizza Hut International						
Beginning of Year	779	941	2,557	4,277	154	4,431
New Builds	44	33	137	214	4	218
Acquisitions	7	(3)	(4)	-	-	-
Refranchising & Licensing	(41)	-	41	-	-	-
Closures & Divestitures	(31)	(13)	(96)	(140)	(5)	(145)
Other	-	-	(3)	(3)	1	(2)
End of Quarter	758	958	2,632	4,348	154	4,502
% of Total	17%	21%	59%	97%	3%	100%
Taco Bell International						
Beginning of Year	38	28	138	204	63	267
New Builds	1	-	4	5	2	7
Acquisitions	-	-	-	-	-	-
Refranchising & Licensing	-	-	-	-	-	-
Closures & Divestitures	(1)	(3)	-	(4)	(3)	(7)
Other	-	-	4	4	(1)	3
End of Quarter	38	25	146	209	61	270
% of Total	14%	9%	54%	77%	23%	100%
KFC International						
Beginning of Year	1,516	1,175	4,156	6,847	43	6,890
New Builds	138	55	182	375	2	377
Acquisitions	-	(1)	1	-	-	-
Refranchising & Licensing	(9)	-	9	-	-	-
Closures & Divestitures	(20)	(24)	(83)	(127)	(2)	(129)
Other	-	-	(7)	(7)	-	(7)
End of Quarter	1,625	1,205	4,258	7,088	43	7,131
% of Total	23%	17%	59%	99%	1%	100%
Long John Silver's						

International						
Beginning of Year	-	-	28	28	-	28
New Builds	-	-	1	1	1	2
Acquisitions	-	-	-	-	-	-
Refranchising & Licensing	-	-	-	-	-	-
Closures & Divestitures	-	-	(1)	(1)	-	(1)
Other	-	-	-	-	-	-
End of Quarter	-	-	28	28	1	29
% of Total	-	-	97%	97%	3%	100%
A&W International						
Beginning of Year	-	-	182	182	-	182
New Builds	-	-	21	21	1	22
Acquisitions	-	-	-	-	-	-
Refranchising & Licensing	-	-	-	-	-	-
Closures & Divestitures	-	-	(31)	(31)	-	(31)
Other	-	-	-	-	-	-
End of Quarter	-	-	172	172	1	173
% of Total	-	-	99%	99%	1%	100%

YUM! Brands, Inc. Systemwide Multibrand Restaurants For the Year to Date Ended September 6, 2003

	United States			
		Multibrand Restaurants in Operation at 9/6/03		
	Gross Additions Year to Date 9/6/03	Company	Franchise	Total
KFC				
Taco Bell	28	188	475	663
Pizza Hut	7	115	42	157
A&W	66	101	126	227
Taco Bell/Pizza Hut 3 n 1	2	21	25	46
Long John Silver's	23	19	16	35
Wing Works	2	26	-	26
	128	470	684	1,154
Taco Bell				
Pizza Hut	14	313	279	592
Long John Silver's	18	19	6	25
Backyard Burgers	5	8	-	8
A&W	2	2	-	2
	39	342	285	627
Pizza Hut				
KFC	-	-	1	1
Taco Bell	1	-	6	6
Wing Works	2	3	-	3
Pasta Bravo	2	2	1	3
Wing Streets	29	29	-	29
	34	34	8	42
Long John Silver's				
A&W	33	110	85	195
Total	234	956	1,062	2,018

Multibrand conversions increase the sales and points of distribution for the second brand added to a restaurant but do not result in an additional unit count. Though no additional unit counts are realized, these conversions drive increases in same-store sales and result in upgraded, new-image restaurants. Similarly, a new multibrand restaurant, while increasing sales and points of distribution for two brands, results in just one additional unit count.

YUM! Brands, Inc. Systemwide Multibrand Restaurants For the Year to Date Ended September 6, 2003

International	Gross Additions Year to Date 9/6/03	Multibrand Restaurants in Operation at 9/6/03 Company	Franchise	Total
KFC				
Taco Bell	6	10	46	56
Pizza Hut	10	20	67	87
A&W	3	3	-	3
Taco Bell/Pizza Hut 3 n 1	-	2	4	6
Long John Silver's	-	-	-	-
Wing Works	-	-	-	-
	19	35	117	152
Taco Bell				
Pizza Hut	12	11	22	33
Long John Silver's	-	-	1	1
Backyard Burgers	-	-	-	-
	12	11	23	34
Pizza Hut				
KFC	-	-	-	-
Taco Bell	-	-	-	-
Wing Works	-	-	-	-
Pasta Bravo	-	-	-	-
	-	-	-	-
Long John Silver's				
A&W	-	-	1	1
Total	31	46	141	187

YUM! Brands, Inc. Systemwide Multibrand Restaurants For the Year to Date Ended September 6, 2003

Worldwide	Gross Additions Year to Date 9/6/03	Multibrand Restaurants in Operation at 9/6/03 Company	Franchise	Total
KFC				
Taco Bell	34	198	521	719
Pizza Hut	17	135	109	244
A&W	69	104	126	230
Taco Bell/Pizza Hut 3 n 1	2	23	29	52
Long John Silver's	23	19	16	35
Wing Works	2	26	-	26
	147	505	801	1,306
Taco Bell				
Pizza Hut	26	324	301	625
Long John Silver's	18	19	7	26
Backyard Burgers	5	8	-	8
A&W	2	2	-	2
	51	353	308	661
Pizza Hut				
KFC	-	-	1	1
Taco Bell	1	-	6	6
Wing Works	2	3	-	3
Pasta Bravo	2	2	1	3
Wing Streets	29	29	-	29
	34	34	8	42
Long John Silver's				
A&W	33	110	86	196
Total	265	1,002	1,203	2,205

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