

YUM BRANDS INC

FORM 8-K (Unscheduled Material Events)

Filed 10/5/2004 For Period Ending 10/5/2004

Address	1441 GARDINER LANE LOUISVILLE, Kentucky 40213
Telephone	502-874-8300
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 5, 2004

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
(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))

Section 2 - Financial Information

Item 2.02 Results of Operations and Financial Condition

On October 5, 2004, YUM! Brands, Inc. issued a press release announcing financial results for the quarter ended September 4, 2004. 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 5, 2004 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 5, 2004

/s/ Gregory N. Moore

Senior Vice President and Controller
(Principal Accounting Officer)

LOUISVILLE, Ky.--(BUSINESS WIRE)--xx--Yum! Brands Inc. (NYSE:

YUM):

- Raises full-year 2004 EPS guidance \$0.02 to \$2.35 prior to special items, an increase of 14%, and reported EPS to \$2.38.
- Reports Period 10 estimated international system sales increased 13% in U.S. dollar terms or 8% prior to U.S. dollar conversion.
- Reports Period 10 (September) estimated U.S. blended same-store sales at company restaurants increased 3% (Taco Bell, +4%; Pizza Hut, +6%; KFC, (1)%).

Yum! Brands Inc. today reported results for the third quarter ended September 4, 2004. The following are key points relative to the current third-quarter and year-over-year performance:

- International operating profit grew 25% or 21% prior to foreign currency conversion.
- International system restaurants in operation at quarter's end increased by 5%, the 17th consecutive quarter of at least 5%, year-over-year growth.
- System restaurants in operation at quarter's end grew 27% in China, 7% in the U.K., 6% in international franchise-only businesses.
- International restaurant margin increased 1.1 percentage points.
- U.S. multibrand restaurants in operation expanded by 23%.
- System same-store-sales grew 4% in the U.S.
- U.S. restaurant margin declined 0.7 percentage points due to significantly higher commodity costs.
- The company's first dividend of \$0.10 per share was paid August 6, 2004.

Consolidated Financial Highlights

	Third Quarter			Year To Date		
	2004	2003	% Change	2004	2003	% Change
System Restaurants	30,943	30,598	+1	30,943	30,598	+1
Worldwide System Same-Store-Sales Growth	+5%	Even	NM	+3%	(1)%	NM
Revenues (million)	\$2,179	\$1,989	+10	\$6,226	\$5,727	+9
EPS prior to Special Items	\$0.61	\$0.54	+12	\$1.63	\$1.41	+15
Special Items EPS	\$0.00	\$(0.01)	NM	\$0.03	\$(0.09)	NM
Reported EPS	\$0.61	\$0.53	+14	\$1.66	\$1.32	+25

David C. Novak, Chairman and CEO, said: "I am pleased to report we are raising our full-year 2004 EPS estimate to \$2.35, or 14% growth prior to special items. The underlying strength of our China and international businesses coupled with continued strong same-store-sales growth at Taco Bell and Pizza Hut is allowing us, once again, to exceed our annual target of at least 10% growth in EPS. We are especially pleased to achieve these results as we make major G&A investments to support future growth opportunities and at the same time offset significant inflation in U.S. commodities. Once again, this demonstrates the power of our global portfolio of businesses.

"Looking ahead to 2005, we are confident of continuing to deliver our stated goal of at least 10% growth in EPS. This reflects our confidence that we will again open at least 1,000 new international restaurants and grow U.S. same-store sales at our target rate of 1% to 2%.

"Shareholders should expect us to continue to build value by executing the unique growth opportunities that make us anything but an ordinary restaurant company: profitable international expansion, steady improvement in operations, and multibranding category-leading brands."

INTERNATIONAL BUSINESS

(million, Third Quarter Year to Date
% Change % Change

except unit counts and percentages)	2004	2003	Reported		2004	2003	Reported	
			Excl F/x				Excl F/x	
Financial Measures								
Revenues	\$810	\$652	+24	+21	\$2,211	\$1,810	+22	+17
Operating Profit	\$143	\$114	+25	+21	\$382	\$297	+28	+22
Operating Metrics								
Est. System- Sales Growth System			+16	+12			+16	+9

Restaurants 12,448 11,845 +5 NM 12,448 11,845 +5 NM

In the third quarter and year to date, continued profitable expansion of our international brands -- KFC and Pizza Hut -- drove international revenue, system-sales and operating-profit growth.

Third-quarter international system sales grew by 12% prior to foreign currency conversion, exceeding the company's ongoing target for growth with same-store-sales growth the most significant contributing factor. An additional contributor to this strong performance was the company's 5% growth in overall system restaurants. Our two most profitable markets, China and the U.K., increased system sales in local currency terms by 35% and 9% respectively. System restaurants in operation increased 27% in China and 7% in the U.K. The company's international franchise-only businesses, a high-return growth segment representing 35% of international system restaurants, had 13% growth in system sales prior to currency conversion and 6% growth of system restaurants in operation.

Restaurant margin as a percentage of sales increased 1.1 percentage points and 0.7 percentage points for the third quarter and year to date respectively. This increase was primarily driven by leverage from same-store-sales growth in company markets.

Overall, foreign currency conversion added \$5 million to international operating profit for the third quarter and \$20 million year to date.

UNITED STATES BUSINESS

(million, except unit counts and percentages)	Third Quarter			Year to Date		
	2004	2003	% Change	2004	2003	% Change
Financial Measures						
Revenues	\$1,369	\$1,337	+2	\$4,015	\$3,917	+3
Operating Profit	\$196	\$204	(5)	\$567	\$571	(1)
Operating Metrics						
Est. System-Sales Growth	+4%	Even	NM	+4%	+4%	NM

System Restaurants 18,495 18,753 (1) 18,495 18,753 (1)

In the third quarter and for the year to date, the primary drivers of U.S. revenue growth were higher systemwide same-store-sales growth and continued development of new, higher-volume restaurants that, on average, more than offset reduced revenues associated with the closure of lower-volume restaurants.

Opening new restaurants with higher volumes than those restaurants that were closed contributed one percentage point of revenue growth in the third quarter and year to date. U.S. system restaurants in operation declined by 1% due primarily to closures of certain Pizza Hut dine-in restaurants and lower-volume A&W single-brand mall-location restaurants. The U.S. restaurant portfolio continues to be upgraded with new restaurants that, on average, are higher volume.

For the third quarter and year to date, U.S. restaurant margin declined by 0.7 and 0.2 percentage points respectively. This decline is a result of much higher commodity costs (primarily meats and cheese), which were partially offset by same-store-sales growth. This was the primary factor in the operating profit decline for the third quarter and equated to approximately 2 percentage points adverse impact on restaurant margin.

The company expects continued above-average inflation rates for key commodities in the U.S. for the fourth quarter. This is reflected in the company's outlook for the fourth quarter.

WORLDWIDE NEW-RESTAURANT DEVELOPMENT

System New-Restaurant Openings	Third Quarter		Year to Date	
Worldwide		292		829
Key Markets				
United States		76		248
International Franchise-Only Businesses		89		227
China		66		182
U.K.		19		41
Australia/New Zealand		13		35

Japan	11	33
Pizza Hut South Korea	7	18
Mexico	4	16

System new-restaurant openings for the third quarter and year to date were primarily driven by growth in new international KFC and Pizza Hut restaurants. Franchise and joint-venture partners opened 72% of systemwide new international restaurants year to date.

In key markets with a company operations presence, restaurant counts versus a year ago increased 27% in China, 7% in the U.K., 6% in Mexico and 8% for Pizza Hut South Korea. For international franchise-only businesses, year-over-year restaurant growth was 6%. Specifically, Asia increased 8%; southern Africa, 6%; the Middle East, 5%; and Caribbean/Latin America, 4%.

In the U.S. market, the majority of new-restaurant openings were the KFC and Pizza Hut brands. Over 65% of year-to-date, new-restaurant openings were franchised.

This discussion and the preceding table exclude changes in license-unit locations, which are expected to have no material impact on the company's overall profit performance in 2004. License locations are typically nontraditional sites, such as airports, that normally have substantially lower average unit volumes than traditional restaurant locations.

MULTIBRAND EXPANSION

Multibrand Restaurants in Operation	Third Quarter		
	2004	2003	Incr/(Decr)
U.S. Systemwide	2,484	2,018	+23%
% U.S. System Restaurants	13%	11%	+2 ppts.

In the third quarter, 129 multibrand restaurants were added in the U.S., bringing the year-to-date total of U.S. multibrand additions to 383. Year to date, the multibrand focus has been on expanded company testing of Pizza Hut and WingStreet, a brand recently created by Yum! Brands, and expansion of the Long John Silver's brand in combination with A&W, Taco Bell or KFC in one restaurant location. Excluding the company-only expanded testing of Pizza Hut and WingStreet multibrand combinations, franchisees opened over 60% of multibrand additions year to date. In the U.S., the company's principal multibrand focus will combine Long John Silver's with A&W or Taco Bell, operating two brands in one restaurant location. In addition, Pizza Hut has expanded the testing of multibrand combinations in delivery/carry-out restaurants with WingStreet.

FRANCHISE GROWTH AND FEES

Franchise Net New-Restaurant Growth	Third Quarter Year to Date	
	2004	2003
Total Franchise Fees (\$ million)	\$244	\$698
Growth Vs. 2003	+9%	+9%

For the third quarter, favorable foreign currency conversion added 2 percentage points of franchise-fee growth. Excluding this factor, franchise fees increased 7%. Third-quarter and year-to-date growth was primarily driven by worldwide franchise same-store-sales growth and international franchise new-restaurant development.

GENERAL AND ADMINISTRATIVE EXPENSES

Worldwide general and administrative (G&A) expenses increased \$38 million, or 18%, in the third quarter. The year-over-year comparison was impacted by the company operating restaurants in Canada that were previously owned by our Canada joint venture. This was approximately \$3 million. Factors contributing to the increase include costs associated with investments in strategic initiatives in China and other international growth markets. Additional costs include increased compensation-related expenses such as higher pension costs, increased surplus facility costs, and the unfavorable impact from foreign currency conversion. These were also key factors in the year-to-date increase in worldwide general and administrative expenses.

CASH FLOW

Year to date, the company generated \$791 million in net cash provided by operating activities. Capital spending, including the acquisition of franchise restaurants, was \$421 million. Additional cash of \$173 million was generated from employee stock-option proceeds, proceeds from sales of property, plant and equipment, and refranchising restaurants.

FOURTH-QUARTER 2004 OUTLOOK

The company currently estimates that it will achieve EPS of \$0.72 prior to special items in the fourth quarter. Including all factors, U.S. restaurant margin is expected to decrease by approximately 0.5 percentage points versus last year's fourth quarter. Inflation in U.S. commodity

costs (meats and cheese) is expected to drive a margin decline of approximately 1.5 percentage points.

FULL-YEAR OUTLOOK

The company expects earnings per share to grow at least 10% each year with the continued execution of its three key strategies: (1) profitable international expansion, (2) steady improvement in operations and (3) multibranding category-leading brands.

Based on year-to-date results and information currently available, the company expects full-year EPS of at least \$2.35 prior to special items. As always, the company will continue to update shareholders each four-week period on current sales trends worldwide and provide an update to full-year EPS expectations if there are any material changes.

Projected factors contributing to the company's original annual 2004 EPS guidance were published in the company's release dated December 4, 2003, and updates were published with its first-quarter release dated April 21, 2004, and second-quarter release dated July 13, 2004. Based on current information, the company believes that those factors remain reasonable, and are updated by the following full-year factors:

- General and administrative expenses will increase at least \$95 million or 10% versus 2003. Excluding the impact of foreign currency conversion and change in ownership of our Canadian business, G&A expenses will increase approximately \$75 million or 8% versus last year.
- Reported worldwide system-sales growth of +7% to +8%; at least +8% in local currency for international.
- U.S. blended same-store-sales growth is expected to be in a range of +3% to +4%.
- U.S. operating profit approximately flat versus prior year primarily due to much higher inflation in commodities.
- International revenue growth of +18% to +20%; worldwide +7% to +8%.
- International reported operating profit growth of at least +20%.
- International restaurant margin expected to be slightly favorable versus prior year.
- Average shares outstanding to be in the range of 304 to 305 million.

For 2004, the company currently expects reported EPS of at least \$2.38 including a special-items gain of approximately \$0.03 per share.

	Annual Outlook		
	Forecast 2004	Actual 2003	Incr/(Decr)
EPS prior to Special Items	\$2.35	\$2.06	+14%
Special Items EPS	\$0.03	\$(0.04)	NM
Reported EPS	\$2.38	\$2.02	+18%

PERIOD 10 SALES

Period 10 estimated international system sales increased 8% prior to foreign currency conversion or 13% after conversion to U.S. dollars. Estimated U.S. blended same-store sales at company restaurants increased 3% versus last year for the comparable four-week period ended October 2, 2004.

International System-Sales Growth (Estimated)

	Reported (U.S.\$)	Local Currency Basis	Prior-Year Local Currency Basis
Period 10	+13%	+8%	+10%

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

	Period 10 2004	Period 10 2003
U.S. BLENDED	+3%	+1%
Taco Bell	+4%	+3%
Pizza Hut	+6%	+1%

CONFERENCE CALL

Yum! Brands Inc. will host a conference call to review the company's strategies and financial performance at 9:15 a.m. EDT Wednesday, October 6, 2004.

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 6, at noon EDT through Friday, October 29, at 11:59 p.m. EDT. To access the playback, dial 800/642-1687 in the U.S.A. and 706/645-9291 internationally. The playback pass code is 9665689.

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.)

2004 ANNUAL CONFERENCE FOR INVESTORS & ANALYSTS

Please note, Tuesday, December 7, Yum! Brands will host the company's Annual Conference for Investors and Analysts from approximately 8:00 a.m. to 1:00 p.m. EST, at The St. Regis Hotel in New York. Online registration is required before 5:00 p.m. EST Friday, December 3. To register, please access the link to the conference online registration at www.yum.com. Click on "Register to Attend" under "Upcoming Analyst/Investor Events." If you have questions, call Yum! Brands Investor Relations at 888/298-6986.

NOTES & DEFINITIONS FOR TERMS USED THROUGHOUT THIS DOCUMENT

Note: Sales results for Period 11 (the four-week period ending October 30, 2004) are scheduled to be released November 4, 2004, before market hours.

Excl F/x, represents the percentage change excluding the impact of foreign currency translation. These amounts are calculated by translating current-year results at prior-year average exchange rates. We believe elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

Franchise Fees include fees from unconsolidated affiliates (joint ventures) and franchise and license restaurants. Fees include ongoing royalty and license fees, initial fees for new restaurants and contract-renewal fees.

Franchise Restaurants include unconsolidated affiliates (joint ventures) and franchise restaurants and exclude license restaurants.

Franchise Net New-Restaurant Growth is the year-over-year total of franchise restaurant openings less franchise restaurant closings divided by the prior year's franchise restaurant total.

New-Restaurant Openings include unconsolidated affiliates (joint ventures), company-owned and franchise restaurants and exclude license restaurants.

Special Items include AmeriServe and other charges (credits), 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.

System Restaurants include unconsolidated affiliates (joint ventures), company-owned and franchise restaurants but exclude license restaurants.

System-Sales Growth includes the results of all restaurants regardless of ownership including unconsolidated affiliates, company-owned, franchise and license restaurants. Sales of unconsolidated affiliates (joint ventures), franchise and license restaurants generate franchise and license fees for the company (typically at a rate of 4% to 6% of sales). Unconsolidated affiliates (joint ventures), franchise and license restaurant sales are not included in company sales we present on the Condensed Consolidated Statements of Income; however, the franchise fees previously defined are included in the company's revenues.

System Same-Store-Sales Growth is the estimated growth in sales of all restaurants that have been open one year or more regardless of ownership including unconsolidated affiliates (joint ventures), company-owned, franchise and license restaurants. U.S. blended same-store sales include KFC, Pizza Hut, and Taco Bell Restaurants. Long John Silver's and A&W Restaurants are not included.

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.

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, 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, 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 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; publicity that may impact our business and/or industry; severe weather conditions; effects and outcomes of legal claims involving the company; changes in effective tax rates; 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 restaurants with more than 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 2,600 multibrand restaurants. Outside the United States in 2003, 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. For the past two years, the company has been recognized in Fortune Magazine's top 50 "Best Companies for Minorities," claiming the number-one spot for "managerial diversity."

Yum! Brands, Inc. Consolidated Summary of Results

(amounts in millions, except per share amounts)

Quarter Year to date

----- % Change -----	% Change						
		9/4/04	9/6/03	B/(W)	9/4/04	9/6/03	B/(W)
		-----	-----	-----	-----	-----	-----
Total Revenues		\$2,179	\$1,989	10	\$6,226	\$5,727	9
Costs and expenses							
Company restaurant expenses		1,640	1,498	(9)	4,707	4,337	(9)
General and administrative expenses		250	212	(18)	721	623	(16)
Franchise and license expenses		8	7	(19)	16	20	18
Facility actions		3	9	NM	22	24	NM
Other (income) expense		(13)	(10)	40	(35)	(24)	48
Wrench litigation		-	7	NM	-	42	NM
AmeriServe and other charges (credits)		-	(3)	NM	(14)	(1)	NM
Total costs and expenses, net		1,888	1,720	(10)	5,417	5,021	(8)
Operating profit		291	269	8	809	706	14
Interest expense, net		29	39	27	96	123	22
Income before income taxes and cumulative effect of accounting change		262	230	14	713	583	22
Income tax provision		77	66	(16)	208	179	(16)
Income before cumulative effect							

of accounting change	185	164	13	505	404	25
Cumulative effect of accounting change, net of tax	-	-	-	-	(1)	NM
Net income	\$185	\$164	13	\$505	\$403	25
Basic EPS Data						
EPS	\$0.64	\$0.56	14	\$1.74	\$1.37	26
Average shares outstanding	291	294	1	290	293	1
Diluted EPS Data						
EPS	\$0.61	\$0.53	14	\$1.66	\$1.32	25
Average shares outstanding	305	307	1	305	305	-
Dividends declared per common share	\$-	\$-	NM	\$0.10	\$-	NM

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 B/(W)	Year to date		% Change B/(W)
	9/4/04	9/6/03		9/4/04	9/6/03	
Company sales	\$1,935	\$1,765	10	\$5,528	\$5,085	9
Franchise and license fees	244	224	9	698	642	9
Revenues	2,179	1,989	10	6,226	5,727	9
Company restaurants						
Food and paper	618	544	(14)	1,746	1,568	(11)
Payroll and employee benefits	497	473	(5)	1,470	1,396	(5)
Occupancy and other operating expenses	525	481	(9)	1,491	1,373	(9)
	1,640	1,498	(9)	4,707	4,337	(9)
General and administrative expenses	250	212	(18)	721	623	(16)
Franchise and license expenses	8	7	(19)	16	20	18
Facility actions	3	9	NM	22	24	NM
Other (income) expense	(13)	(10)	40	(35)	(24)	48
	1,888	1,716	(10)	5,431	4,980	(9)
Operating profit before special items	291	273	6	795	747	6
Interest expense, net	29	39	27	96	123	22
Income tax						

provision	77	67	(14)	203	194	(5)
	-----	-----		-----	-----	
Earnings before special items	\$185	\$167	11	\$496	\$430	15
	=====	=====		=====	=====	
Tax rate before special items	29.4%	29.0%	(0.4) ppts.	29.1%	31.1%	2.0 ppts.
	=====	=====		=====	=====	
Diluted EPS before special items	\$0.61	\$0.54	12	\$1.63	\$1.41	15
	=====	=====		=====	=====	
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	31.9	30.8	(1.1) ppts.	31.6	30.8	(0.8) ppts.
Payroll and employee benefits	25.7	26.8	1.1 ppts.	26.6	27.5	0.9 ppts.
Occupancy and other operating expenses	27.2	27.3	0.1 ppts.	27.0	27.0	-
	-----	-----		-----	-----	
Restaurant margin	15.2%	15.1%	0.1 ppts.	14.8%	14.7%	0.1 ppts.
	=====	=====		=====	=====	

Reconciliation of Segment Operating Profit to Reported Operating Profit

U.S.

operating profit	\$196	\$204	(5)	\$567	\$571	(1)
International operating profit	143	114	25	382	297	28
Unallocated and corporate expense	(48)	(38)	(28)	(140)	(107)	(32)
Unallocated other income (expense)	(1)	(1)	NM	(4)	(1)	NM
Unallocated facility actions	1	(6)	NM	(10)	(13)	NM
	-----	-----		-----	-----	
Operating profit before special items	291	273	6	795	747	6
Wrench litigation	-	(7)	NM	-	(42)	NM
AmeriServe and other (charges) credits	-	3	NM	14	1	NM
	-----	-----		-----	-----	
Reported operating profit	\$291	\$269	8	\$809	\$706	14
	=====	=====		=====	=====	

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

Yum! Brands, Inc. UNITED STATES Operating Results

(amounts in millions)

	Quarter		% Change B/(W)	Year to date		% Change B/(W)
	9/4/04	9/6/03		9/4/04	9/6/03	
Company sales	\$1,225	\$1,199	2	\$3,599	\$3,518	2

Franchise and license fees	144	138	5	416	399	4
Revenues	1,369	1,337	2	4,015	3,917	3
Company restaurants						
Food and paper	371	344	(8)	1,069	1,010	(6)
Payroll and employee benefits	366	366	-	1,099	1,093	(1)
Occupancy and other operating expenses	314	311	(1)	917	905	(1)
	1,051	1,021	(3)	3,085	3,008	(3)
General and administrative expenses	115	108	(7)	347	325	(7)
Franchise and license expenses	7	4	NM	11	10	(15)
Facility actions	-	-	NM	5	3	NM
	1,173	1,133	(4)	3,448	3,346	(3)
Operating profit	\$196	\$204	(5)	\$567	\$571	(1)
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	30.3	28.7	(1.6) ppts.	29.7	28.7	(1.0) ppts.
Payroll and employee benefits	29.9	30.6	0.7 ppts.	30.5	31.1	0.6 ppts.
Occupancy and other operating expenses	25.7	25.9	0.2 ppts.	25.5	25.7	0.2 ppts.
Restaurant margin	14.1%	14.8%	(0.7) ppts.	14.3%	14.5%	(0.2) ppts.

See accompanying notes.

Yum! Brands, Inc. INTERNATIONAL Operating Results

(amounts in millions)

Quarter Year to date

----- % Change ----- % Change

	9/4/04	9/6/03	B/(W)	9/4/04	9/6/03	B/(W)
Company sales	\$710	\$566	25	\$1,929	\$1,567	23
Franchise and license fees	100	86	16	282	243	16
Revenues	810	652	24	2,211	1,810	22
Company restaurants						
Food and paper	247	200	(24)	677	558	(22)
Payroll and employee benefits	131	107	(23)	371	303	(22)
Occupancy and other operating expenses	211	170	(24)	574	468	(23)

	-----	-----		-----	-----	
	589	477	(23)	1,622	1,329	
General and administrative expenses	87	67	(28)	234	192	(22)
Franchise and license expenses	1	2	48	5	9	45
Facility actions	4	3	NM	7	8	NM
Other (income) expense	(14)	(11)	28	(39)	(25)	52
	-----	-----		-----	-----	
	667	538	(24)	1,829	1,513	(21)
Operating profit	-----	-----		-----	-----	
	=====	=====		=====	=====	
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	34.8	35.2	0.4 ppts.	35.1	35.6	0.5 ppts.
Payroll and employee benefits	18.5	18.9	0.4 ppts.	19.2	19.3	0.1 ppts.
Occupancy and other operating expenses	29.7	30.0	0.3 ppts.	29.8	29.9	0.1 ppts.
	-----	-----		-----	-----	
Restaurant margin	17.0%	15.9%	1.1 ppts.	15.9%	15.2%	0.7 ppts.
	=====	=====		=====	=====	

See accompanying notes.

YUM! Brands, Inc. Condensed Consolidated Balance Sheets

(amounts in millions)

	9/4/04	12/27/03
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$387	\$192
Short-term investments, at cost	61	15
Accounts and notes receivable, less allowance: \$18 in 2004 and \$25 in 2003	168	150
Inventories	72	67
Assets classified as held for sale	97	96
Prepaid expenses and other current assets	98	65
Deferred income taxes	153	165
Advertising cooperative assets, restricted	70	56
	-----	-----
Total Current Assets	1,106	806
Property, plant and equipment, net	3,317	3,280
Goodwill	559	521
Intangible assets, net	351	357
Investments in unconsolidated affiliates	189	184
Other assets	462	472
	-----	-----
Total Assets	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$1,176	\$1,157
Income taxes payable	147	238
Short-term borrowings	375	10
Advertising cooperative liabilities	70	56
	-----	-----
Total Current Liabilities	1,768	1,461
Long-term debt	1,699	2,056
Other liabilities and deferred credits	1,003	983
	-----	-----
Total Liabilities	4,470	4,500
	-----	-----
Shareholders' Equity		
Preferred stock, no par value, 250 shares authorized; no shares issued	-	-
Common stock, no par value, 750 shares authorized; 292 shares issued in 2004 and 2003, respectively	823	916
Retained earnings	890	414

Accumulated other comprehensive income (loss)	(199)	(210)
Total Shareholders' Equity	1,514	1,120
Total Liabilities and Shareholders' Equity	\$5,984	\$5,620

See accompanying notes.

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

(amounts in millions)

	Year to date	
	9/4/04	9/6/03
Cash Flows - Operating Activities		
Net income	\$505	\$403
Adjustments to reconcile net income to net cash provided by operating activities:		
Cumulative effect of accounting change, net of tax	-	1
Depreciation and amortization	302	273
Facility actions	22	24
Wrench litigation	-	42
AmeriServe and other charges (credits)	-	(3)
Other liabilities and deferred credits	(30)	(24)
Deferred income taxes	28	2
Other non-cash charges and credits, net	22	30
Changes in operating working capital, excluding effects of acquisitions and dispositions:		
Accounts and notes receivable	(12)	3
Inventories	(5)	(4)
Prepaid expenses and other current assets	(19)	(17)
Accounts payable and other current liabilities	27	(19)
Income taxes payable	(49)	58
Net change in operating working capital	(58)	21
Net Cash Provided by Operating Activities	791	769
Cash Flows - Investing Activities		
Capital spending	(383)	(358)
Proceeds from refranchising of restaurants	14	11
Acquisition of restaurants from franchisees	(38)	(30)
Short-term investments	(46)	3
Sales of property, plant and equipment	32	29
Other, net	30	9
Net Cash Used in Investing Activities	(391)	(336)
Cash Flows - Financing Activities		
Revolving Credit Facility activity		
Three months or less, net	-	(153)
Repayments of long-term debt	(9)	(15)
Short-term borrowings-three months or less, net	-	(50)
Repurchase shares of common stock	(294)	(121)
Employee stock option proceeds	127	70
Dividends paid on common shares	(29)	-
Net Cash Used in Financing Activities	(205)	(269)
Effect of Exchange Rates on Cash and Cash Equivalents	-	4
Net Increase in Cash and Cash Equivalents	195	168
Cash and Cash Equivalents - Beginning of Period	192	130
Cash and Cash Equivalents - End of Period	\$387	\$298

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 (e), (f) and (g) 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	
	9/4/04	9/6/03	9/4/04	9/6/03
Detail of Special Items				
Wrench litigation	\$-	\$(7)	\$-	\$(42)
AmeriServe and other (charges) credits	-	3	14	1
Cumulative effect of accounting change	-	-	-	(2)
Total special items	-	(4)	14	(43)
Tax on special items	-	1	(5)	16
Special items, net of tax	\$-	\$(3)	\$9	\$(27)
Average shares outstanding	305	307	305	305
Special items diluted EPS	\$-	\$(0.01)	\$0.03	\$(0.09)
Reconciliation of Earnings Before Special Items to Net Income				
Earnings before special items	\$185	\$167	\$496	\$430
Special items, net of tax	-	(3)	9	(27)
Net income	\$185	\$164	\$505	\$403
Reconciliation of EPS Before Special Items to Reported EPS				
Diluted EPS before special items	\$0.61	\$0.54	\$1.63	\$1.41
Special items diluted EPS	-	(0.01)	0.03	(0.09)
Reported diluted EPS	\$0.61	\$0.53	\$1.66	\$1.32

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

(amounts in millions, except per share amounts)

(a) Percentages may not recompute due to rounding.

(b) Franchisee sales represents the combined estimated sales of unconsolidated affiliate, franchise and license restaurants. Franchisee sales, which are not included in the Company sales we present on the Condensed Consolidated Statements of Income, generate franchise and license fees (typically at a rate of 4% to 6% of sales) that are included in the Company's revenues.

Quarter Year to date ----- % Change ----- % Change

	9/4/04	9/6/03	B/(W)	9/4/04	9/6/03	B/(W)
United States						
Company sales	\$1,225	\$1,199	2	\$3,599	\$3,518	2
Franchisee sales	2,832	2,697	5	8,145	7,804	4
International						
Company sales	\$710	\$566	25	\$1,929	\$1,567	23
Franchisee sales	1,932	1,702	14	5,559	4,878	14

Worldwide						
Company sales	\$1,935	\$1,765	10	\$5,528	\$5,085	9
Franchisee sales	4,764	4,399	8	13,704	12,682	8

(c) Facility actions included the following:

	Quarter		Year to date	
	9/4/04	9/6/03	9/4/04	9/6/03
Store closure costs	\$2	\$-	\$(3)	\$(2)
Asset impairment charges	2	3	15	13
Refranchising net losses (gains)	(1)	6	10	13
Facility actions	\$3	\$9	\$22	\$24

In the previous year's reporting of results for the quarter and year to date ended September 6, 2003, store closure costs and asset impairment charges were included in other (income) expense.

(d) Other (income) expense primarily includes equity income from investments in unconsolidated affiliates.

(e) An insignificant amount of expense was recorded for the quarter and year to date ended September 4, 2004 reflecting interest related to the yet to be paid legal judgment against Taco Bell Corp. on June 4, 2003, in Wrench v. Taco Bell Corp.

(f) An insignificant amount was recorded as AmeriServe and other charges (credits) for the quarter ended September 4, 2004. Income of \$14 million was recorded as AmeriServe and other charges (credits) for the year to date ended September 4, 2004. The amount primarily resulted from cash recoveries related to the AmeriServe bankruptcy reorganization process.

(g) 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 recorded a cumulative effect adjustment of \$2 million (\$1 million after tax) during 2003.

(h) We participate in various advertising cooperatives with our franchisees and licensees. In certain of these cooperatives we possess majority voting rights, and thus control the cooperatives. We have previously reported the related assets and liabilities of those advertising cooperatives we control in accounts and notes receivable, prepaid expenses and other current assets and accounts payable and other current liabilities, as appropriate. We have now summed all assets and liabilities of these advertising cooperatives and reported the amounts as advertising cooperative assets, restricted and advertising cooperative liabilities in the Condensed Consolidated Balance Sheet as of September 4, 2004. We have reclassified those amounts in the Condensed Consolidated Balance Sheet as of December 27, 2003 for comparative purposes.

(i) For the quarter ended September 4, 2004, we purchased an insignificant amount of shares of our Common Stock. For the year to date ended September 4, 2004, we repurchased approximately 8.1 million shares of our Common Stock at an average price of \$36.

YUM! Brands, Inc. Restaurant Units Activity Summary For the Year to Date Ended September 4, 2004

	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees(a)
Total U.S.				
Beginning of Year	5,094	6	13,566	18,666
New Builds	78	-	170	248
Acquisitions	58	-	(58)	-
Refranchising & Licensing	(17)	-	17	-
Closures & Divestitures	(150)	(6)	(266)	(422)
Other	-	-	3	3
End of Quarter	5,063	-	13,432	18,495
% of Total	27%	-	73%	100%
Total International				
Beginning of Year	2,760	1,506	7,905	12,171
New Builds(b)	161	94	326	581
Acquisitions	15	3	(18)	-
Refranchising &				

Licensing	(15)	-	15	-
Closures & Divestitures	(80)	(21)	(190)	(291)
Other	(2)	(8)	(3)	(13)
	-----	-----	-----	-----
End of Quarter	2,839	1,574	8,035	12,448
	=====	=====	=====	=====
% of Total	23%	13%	64%	100%
Total System				
Beginning of Year	7,854	1,512	21,471	30,837
New Builds(b)	239	94	496	829
Acquisitions	73	3	(76)	-
Refranchising & Licensing	(32)	-	32	-
Closures & Divestitures	(230)	(27)	(456)	(713)
Other	(2)	(8)	-	(10)
	-----	-----	-----	-----
End of Quarter	7,902	1,574	21,467	30,943
	=====	=====	=====	=====
% of Total	26%	5%	69%	100%

(a) The total excludes 2,123 U.S. and 209 International licensee units. The U.S. licensee unit count includes 1,155 Pizza Huts, 903 Taco Bells and 65 KFCs. The International licensee unit count includes 99 Pizza Huts, 65 KFCs, 43 Taco Bells, 1 John Silver's and 1 A&W.

(b) The total includes 1 Company new build for an Asian food concept in China.

YUM! Brands, Inc. Restaurant Units Activity Summary For the Year to Date Ended September 4, 2004

United States			
	Company	Franchisees	Total Excluding Licensees
	-----	-----	-----
Pizza Hut U.S.			
Beginning of Year	1,776	4,624	6,400
New Builds	26	63	89
Acquisitions	56	(56)	-
Refranchising & Licensing	(2)	2	-
Closures & Divestitures	(44)	(131)	(175)
Other	-	-	-
	-----	-----	-----
End of Quarter	1,812	4,502	6,314
	=====	=====	=====
% of Total	29%	71%	100%
KFC U.S.			
Beginning of Year	1,252	4,204	5,456
New Builds	24	56	80
Acquisitions	1	(1)	-
Refranchising & Licensing	-	-	-
Closures & Divestitures	(20)	(63)	(83)
Other	-	-	-
	-----	-----	-----
End of Quarter	1,257	4,196	5,453
	=====	=====	=====
% of Total	23%	77%	100%
Taco Bell U.S.			
Beginning of Year	1,284	3,743	5,027
New Builds	8	37	45
Acquisitions	1	(1)	-
Refranchising & Licensing	(3)	3	-
Closures & Divestitures	(14)	(32)	(46)
Other	-	-	-
	-----	-----	-----
End of Quarter	1,276	3,750	5,026
	=====	=====	=====
% of Total	25%	75%	100%
Long John Silver's U.S.			
Beginning of Year	701	502	1,203
New Builds	20	11	31
Acquisitions	-	-	-
Refranchising & Licensing	(5)	5	-
Closures & Divestitures	(17)	(21)	(38)
Other	-	1	1
	-----	-----	-----

End of Quarter	699	498	1,197
	=====	=====	=====
% of Total	58%	42%	100%
A&W U.S.			
Beginning of Year	81	493	574
New Builds	-	3	3
Acquisitions	-	-	-
Refranchising & Licensing	(7)	7	-
Closures & Divestitures	(55)	(19)	(74)
Other	-	2	2
	-----	-----	-----
End of Quarter	19	486	505
	=====	=====	=====
% of Total	4%	96%	100%

YUM! Brands, Inc. Restaurant Units Activity Summary For the Year to date Ended September 4, 2004

International

	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees
	-----	-----	-----	-----
KFC International				
Beginning of Year	1,685	773	4,835	7,293
New Builds	116	78	172	366
Acquisitions	11	-	(11)	-
Refranchising & Licensing	(10)	-	10	-
Closures & Divestitures	(42)	(16)	(111)	(169)
Other	2	(1)	(13)	(12)
	-----	-----	-----	-----
End of Quarter	1,762	834	4,882	7,478
	=====	=====	=====	=====
% of Total	24%	11%	65%	100%
Pizza Hut International				
Beginning of Year	1,021	733	2,708	4,462
New Builds	44	16	135	195
Acquisitions	4	3	(7)	-
Refranchising & Licensing	(3)	-	3	-
Closures & Divestitures	(36)	(5)	(67)	(108)
Other	1	(7)	9	3
	-----	-----	-----	-----
End of Quarter	1,031	740	2,781	4,552
	=====	=====	=====	=====
% of Total	23%	16%	61%	100%
Taco Bell International				
Beginning of Year	54	-	150	204
New Builds	-	-	-	-
Acquisitions	-	-	-	-
Refranchising & Licensing	(2)	-	2	-
Closures & Divestitures	(2)	-	(5)	(7)
Other	(5)	-	1	(4)
	-----	-----	-----	-----
End of Quarter	45	-	148	193
	=====	=====	=====	=====
% of Total	23%	-	77%	100%
A&W International				
Beginning of Year	-	-	182	182
New Builds	-	-	16	16
Acquisitions	-	-	-	-
Refranchising & Licensing	-	-	-	-
Closures & Divestitures	-	-	(5)	(5)
Other	-	-	-	-
	-----	-----	-----	-----
End of Quarter	-	-	193	193
	=====	=====	=====	=====
% of Total	-	-	100%	100%
Long John Silver's International				
Beginning of Year	-	-	30	30
New Builds	-	-	3	3
Acquisitions	-	-	-	-
Refranchising & Licensing	-	-	-	-
Closures & Divestitures	-	-	(2)	(2)

Other	-	-	-	-
End of Quarter	-	-	31	31
% of Total	-	-	100%	100%

YUM! Brands, Inc. United States Multibrand Restaurants For the Year to Date Ended September 4, 2004

	United States(a)			
	Multibrand Restaurants in Operation at 9/4/04			
	Gross Additions Year to Date 9/4/04	Company	Franchise	Total
KFC				
Taco Bell	12	180	486	666
Pizza Hut	4	100	43	143
A&W	43	126	170	296
Taco Bell/Pizza Hut 3 n 1	-	19	24	43
Long John Silver's	47	53	50	103
Wing Works	-	26	-	26
	106	504	773	1,277
Taco Bell				
Pizza Hut	6	314	286	600
Long John Silver's	19	47	19	66
Backyard Burgers	1	9	-	9
A&W	-	2	-	2
	26	372	305	677
Pizza Hut				
KFC	-	-	4	4
Taco Bell	-	-	1	1
Wing Works	-	1	-	1
Pasta Bravo	-	2	-	2
WingStreet	216	274	-	274
	216	277	5	282
Long John Silver's				
A&W	35	142	106	248
Total	383	1,295	1,189	2,484

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. Similarly, a new multibrand restaurant, while increasing sales and points of distribution for two brands, results in just one additional unit count.

(a) Amounts do not reflect 184 International multibrand units in operation at the end of the period. The International multibrand unit count reflects a decrease of 18 units from the 2003 year end multibrand unit count, related to corrections, primarily in Canada.

MULTIMEDIA AVAILABLE:

<http://www.businesswire.com/cgi-bin/mmg.cgi?eid=4733620>

CONTACT: Yum! Brands Inc., Louisville Investors/Analysts:

Tim Jerzyk, VP Investor Relations, 888-298-6986 or

Media:

Amy Sherwood, VP Public Relations, 502-874-8200