
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934** for the quarterly period ended March 19, 2016

OR

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

For the transition period from _____ to _____

Commission file number 1-13163

YUM! BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of
incorporation or organization)

13-3951308

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

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

40213
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's Common Stock as of April 20, 2016 was 407,440,778 shares.

YUM! BRANDS, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions, except per share data)

	Quarter ended	
	3/19/2016	3/21/2015
Revenues		
Company sales	\$ 2,165	\$ 2,179
Franchise and license fees and income	454	443
Total revenues	<u>2,619</u>	<u>2,622</u>
Costs and Expenses, Net		
Company restaurant expenses		
Food and paper	649	688
Payroll and employee benefits	486	493
Occupancy and other operating expenses	597	616
Company restaurant expenses	<u>1,732</u>	<u>1,797</u>
General and administrative expenses	286	295
Franchise and license expenses	48	34
Closures and impairment (income) expenses	3	3
Refranchising (gain) loss	(7)	(10)
Other (income) expense	(7)	(3)
Total costs and expenses, net	<u>2,055</u>	<u>2,116</u>
Operating Profit	564	506
Interest expense, net	37	34
Income Before Income Taxes	527	472
Income tax provision	132	111
Net income – including noncontrolling interests	395	361
Net income (loss) – noncontrolling interests	4	(1)
Net Income – YUM! Brands, Inc.	<u>\$ 391</u>	<u>\$ 362</u>
Basic Earnings Per Common Share	<u>\$ 0.94</u>	<u>\$ 0.83</u>
Diluted Earnings Per Common Share	<u>\$ 0.93</u>	<u>\$ 0.81</u>
Dividends Declared Per Common Share	<u>\$ 0.46</u>	<u>\$ —</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/19/2016	3/21/2015
Net Income - including noncontrolling interests	\$ 395	\$ 361
Other comprehensive income (loss), net of tax		
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature		
Adjustments and gains (losses) arising during the period	(71)	(91)
	(71)	(91)
Tax (expense) benefit	3	2
	(68)	(89)
Changes in pension and post-retirement benefits		
Unrealized gains (losses) arising during the period	1	—
Reclassification of (gains) losses into Net Income	3	11
	4	11
Tax (expense) benefit	(1)	(4)
	3	7
Changes in derivative instruments		
Unrealized gains (losses) arising during the period	(5)	13
Reclassification of (gains) losses into Net Income	10	(13)
	5	—
Tax (expense) benefit	(1)	—
	4	—
Other comprehensive income (loss), net of tax	(61)	(82)
Comprehensive Income - including noncontrolling interests	334	279
Comprehensive Income (loss) - noncontrolling interests	4	(2)
Comprehensive Income - YUM! Brands, Inc.	\$ 330	\$ 281

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/19/2016	3/21/2015
Cash Flows – Operating Activities		
Net Income – including noncontrolling interests	\$ 395	\$ 361
Depreciation and amortization	136	139
Closures and impairment (income) expenses	3	3
Refranchising (gain) loss	(7)	(10)
Contributions to defined benefit pension plans	(2)	(76)
Deferred income taxes	(25)	(29)
Equity income from investments in unconsolidated affiliates	(16)	(9)
Excess tax benefits from share-based compensation	(11)	(19)
Share-based compensation expense	13	15
Changes in accounts and notes receivable	33	3
Changes in inventories	17	21
Changes in prepaid expenses and other current assets	—	(27)
Changes in accounts payable and other current liabilities	66	113
Changes in income taxes payable	95	51
Other, net	(38)	(20)
Net Cash Provided by Operating Activities	659	516
Cash Flows – Investing Activities		
Capital spending	(160)	(227)
Changes in short-term investments, net	(51)	(24)
Proceeds from refranchising of restaurants	9	22
Other, net	1	33
Net Cash Used in Investing Activities	(201)	(196)
Cash Flows – Financing Activities		
Repayments of long-term debt	(2)	(3)
Short-term borrowings by original maturity		
More than three months - proceeds	1,400	—
More than three months - payments	—	—
Three months or less, net	—	—
Revolving credit facilities, three months or less, net	(524)	53
Repurchase shares of Common Stock	(925)	(124)
Excess tax benefits from share-based compensation	11	19
Employee stock option proceeds	1	10
Dividends paid on Common Stock	(192)	(178)
Other, net	(12)	(23)
Net Cash Used in Financing Activities	(243)	(246)
Effect of Exchange Rates on Cash and Cash Equivalents	(18)	23
Net Increase in Cash and Cash Equivalents	197	97
Cash and Cash Equivalents - Beginning of Period	737	578
Cash and Cash Equivalents - End of Period	\$ 934	\$ 675

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	(Unaudited)	
	3/19/2016	12/26/2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 934	\$ 737
Accounts and notes receivable, net	418	377
Inventories	210	229
Prepaid expenses and other current assets	279	241
Advertising cooperative assets, restricted	122	103
Total Current Assets	<u>1,963</u>	<u>1,687</u>
Property, plant and equipment, net	4,111	4,189
Goodwill	644	656
Intangible assets, net	265	271
Investments in unconsolidated affiliates	36	61
Other assets	500	521
Deferred income taxes	702	676
Total Assets	<u>\$ 8,221</u>	<u>\$ 8,061</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$ 2,055	\$ 1,985
Income taxes payable	150	77
Short-term borrowings	2,321	922
Advertising cooperative liabilities	122	103
Total Current Liabilities	<u>4,648</u>	<u>3,087</u>
Long-term debt	2,510	3,041
Other liabilities and deferred credits	846	958
Total Liabilities	<u>8,004</u>	<u>7,086</u>
Redeemable noncontrolling interest	<u>7</u>	<u>6</u>
Shareholders' Equity		
Common Stock, no par value, 750 shares authorized; 407 and 420 shares issued in 2016 and 2015, respectively	2	—
Retained earnings	454	1,150
Accumulated other comprehensive income (loss)	(300)	(239)
Total Shareholders' Equity – YUM! Brands, Inc.	<u>156</u>	<u>911</u>
Noncontrolling interests	54	58
Total Shareholders' Equity	<u>210</u>	<u>969</u>
Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity	<u>\$ 8,221</u>	<u>\$ 8,061</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular amounts in millions, except per share data)

Note 1 - Financial Statement Presentation

We have prepared our accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles in the United States (“GAAP”) for complete financial statements. Therefore, we suggest that the accompanying Financial Statements be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 26, 2015 (“2015 Form 10-K”).

YUM! Brands, Inc. and Subsidiaries (collectively referred to herein as “YUM” or the “Company”) comprise primarily the worldwide operations of KFC, Pizza Hut and Taco Bell (collectively the “Concepts”). References to YUM throughout these Notes to our Financial Statements are made using the first person notations of “we,” “us” or “our.”

YUM currently consists of four reporting segments:

- YUM China (“China” or “China Division”) which includes all operations in mainland China
- The KFC Division which includes all operations of the KFC concept outside of China Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division
- The Taco Bell Division which includes all operations of the Taco Bell concept

Effective January, 2016 our India business was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results were not impacted, we have restated our historical segment information for consistent presentation. Integrating India into our Brand Divisions increased Total revenues for the KFC, Pizza Hut and Taco Bell Divisions by \$20 million, \$1 million and \$1 million, respectively, and decreased Operating Profit by \$3 million, less than \$1 million and \$1 million, respectively, for the quarter ended March 21, 2015.

In October, 2015 we announced our intent to separate YUM’s China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a tax-free spin-off of our China business, will create two powerful, independent, focused growth companies with distinct strategies, financial profiles and investment characteristics.

Completion of the spin-off will be subject to certain conditions, including, among others, receiving final approval from the YUM Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing and applicable securities laws, and other terms and conditions as may be determined by the Board of Directors.

YUM’s fiscal year ends on the last Saturday in December. The first three quarters of each fiscal year consist of 12 weeks and the fourth quarter consists of 16 weeks. Our subsidiaries operate on similar fiscal calendars except that China, India and certain other international subsidiaries operate on a monthly calendar with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter. The current fiscal year of 2016 will have a 53rd week for YUM and our subsidiaries that do not operate on a monthly calendar, which will be included in our fourth quarter results. Our international subsidiaries that operate on a monthly calendar, including China, are not impacted by the addition of a 53rd week. Our international subsidiaries within our KFC, Pizza Hut and Taco Bell divisions generally close approximately one month earlier to facilitate consolidated reporting.

Our preparation of the accompanying Financial Statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The accompanying Financial Statements include all normal and recurring adjustments considered necessary to present fairly, when read in conjunction with our 2015 Form 10-K, our financial position as of March 19, 2016, and the results of our operations, comprehensive income and cash flows for the quarters ended March 19, 2016 and March 21, 2015. Our results of operations, comprehensive income and cash flows for these interim periods are not necessarily indicative of the results to be expected for the full year.

Our significant interim accounting policies include the recognition of certain advertising and marketing costs, generally in proportion to revenue, and the recognition of income taxes using an estimated annual effective tax rate.

In April, 2015 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03). ASU 2015-03 amended the then-current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 was effective for the Company beginning with the quarter ended March 19, 2016. The adoption of this standard required restatement of our consolidated balance sheet as of December 26, 2015. As a result, Other assets and Long-term debt each decreased by \$13 million and Prepaid expenses and other current assets and Short-term borrowings each decreased by \$1 million versus amounts previously reported.

We have reclassified certain items in the Financial Statements for the prior periods to be comparable with the classification for the quarter ended March 19, 2016. These reclassifications had no effect on previously reported Net Income - YUM! Brands, Inc.

Note 2 - Earnings Per Common Share ("EPS")

	Quarter ended	
	2016	2015
Net Income – YUM! Brands, Inc.	\$ 391	\$ 362
Weighted-average common shares outstanding (for basic calculation)	416	438
Effect of dilutive share-based employee compensation	6	8
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	422	446
Basic EPS	\$ 0.94	\$ 0.83
Diluted EPS	\$ 0.93	\$ 0.81
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation ^(a)	4.5	6.7

- (a) These unexercised employee stock options and stock appreciation rights were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

Note 3 - Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during the quarters ended March 19, 2016 and March 21, 2015 as indicated below. All amounts exclude applicable transaction fees.

Authorization Date	Shares Repurchased (thousands)		Dollar Value of Shares Repurchased		Remaining Dollar Value of Shares that may be Repurchased
	2016	2015	2016	2015	2016
November 2013	—	1,779	\$ —	\$ 133	\$ —
November 2014	—	217	—	17	—
December 2015	13,275	—	925	—	8
Total	13,275	1,996	\$ 925	\$ 150 ^(a)	\$ 8

- (a) Includes the effect of \$26 million in share repurchases (0.3 million shares) with trade dates prior to March 21, 2015 but cash settlement dates subsequent to March 21, 2015.

On March 4, 2016 our Board of Directors authorized additional share repurchases through December 2016 of up to \$500 million (excluding applicable transaction fees) of our outstanding Common Stock.

Changes in accumulated other comprehensive income (loss) ("OCI") are presented below.

	Translation Adjustments and Gains (Losses) From Intra- Entity Transactions of a Long-Term Nature	Pension and Post- Retirement Benefits	Derivative Instruments	Total
Balance at December 26, 2015, net of tax	\$ (109)	\$ (113)	\$ (17)	\$ (239)
Gains (losses) arising during the year classified into accumulated OCI, net of tax	(68)	1	(6)	(73)
(Gains) losses reclassified from accumulated OCI, net of tax	—	2	10	12
OCI, net of tax	(68)	3	4	(61)
Balance at March 19, 2016, net of tax	\$ (177)	\$ (110)	\$ (13)	\$ (300)

Note 4 - Items Affecting Comparability of Net Income and Cash Flows

Refranchising (Gain) Loss

The Refranchising (gain) loss by reportable segment is presented below. We do not allocate such gains and losses to our segments for performance reporting purposes.

	Quarter ended	
	2016	2015
China	\$ (3)	\$ (2)
KFC Division	(1)	(3)
Pizza Hut Division	(2)	1
Taco Bell Division	(1)	(6)
Worldwide	\$ (7)	\$ (10)

KFC U.S. Acceleration Agreement

During the first quarter of 2015, we reached an agreement with our KFC U.S. franchisees that gave us brand marketing control as well as an accelerated path to expanded menu offerings, improved assets and enhanced customer experience. In connection with this agreement we anticipate investing approximately \$125 million from 2015 through 2017 primarily to fund new back-of-house equipment for franchisees and to provide incentives to accelerate franchisee store remodels. We recorded pre-tax charges of \$9 million and \$2 million for the quarters ended March 19, 2016 and March 21, 2015, respectively, for these investments. We recorded pre-tax \$72 million of such charges in the year ended December 26, 2015 and we currently expect a total pre-tax charge of approximately \$30 million in 2016 for these investments. These charges are not being allocated to the KFC Division segment operating results.

In addition to the investments above we have agreed to fund incremental system advertising dollars. We currently expect to fund approximately \$20 million of such advertising in 2016 and \$30 million in 2017. During the quarter ended March 19, 2016, we

expensed \$4 million in incremental system advertising expense. No incremental advertising expense was recorded in the quarter ended March 21, 2015. These amounts are being recorded in the KFC Division segment operating results.

Costs Associated with the Planned Spin-off of the China Business and YUM Recapitalization

In connection with our planned separation of the YUM China business into an independent, publicly-traded company and the related recapitalization of YUM, we incurred \$9 million of costs in the quarter ended March 19, 2016, which were recorded in General and administrative ("G&A") expenses. Cumulative project costs since the announcement of the planned separation total \$18 million and we currently expect to incur additional cash costs of approximately \$30 million to complete the spin-off transaction. These costs are not being allocated to any of our segment operating results.

Note 5 - Other (Income) Expense

	Quarter ended	
	2016	2015
Equity (income) loss from investments in unconsolidated affiliates	\$ (16)	\$ (9)
Foreign exchange net (gain) loss and other	9	6
Other (income) expense	\$ (7)	\$ (3)

Note 6 - Supplemental Balance Sheet Information

Accounts and Notes Receivable, net

The Company's receivables are primarily generated as a result of ongoing business relationships with our franchisees and licensees as a result of royalty and lease agreements. Trade receivables consisting of royalties from franchisees and licensees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable on our Condensed Consolidated Balance Sheets.

	3/19/2016	12/26/2015
Accounts and notes receivable, gross	\$ 438	\$ 393
Allowance for doubtful accounts	(20)	(16)
Accounts and notes receivable, net	\$ 418	\$ 377

Property, Plant and Equipment, net

	3/19/2016	12/26/2015
Property, plant and equipment, gross	\$ 7,793	\$ 7,832
Accumulated depreciation and amortization	(3,682)	(3,643)
Property, plant and equipment, net	\$ 4,111	\$ 4,189

Assets held for sale at March 19, 2016 and December 26, 2015 total \$27 million and \$28 million, respectively, and are included in Prepaid expenses and other current assets on our Condensed Consolidated Balance Sheets.

Noncontrolling Interests

Noncontrolling interests represent the ownership interests of minority shareholders of the entities that operate KFC restaurants in Beijing and Shanghai, China. The redeemable noncontrolling interest comprises the 7% ownership interest in Little Sheep that continues to be held by the Little Sheep founding shareholders, and is classified outside of permanent equity on our Condensed Consolidated Balance Sheets due to redemption rights held by the founding Little Sheep shareholders. A reconciliation of the beginning and ending carrying amount of the equity attributable to noncontrolling interests is as follows:

	Noncontrolling Interests	Redeemable Noncontrolling Interest
Balance at December 26, 2015	\$ 58	\$ 6
Net Income (loss) – noncontrolling interests	4	—
Dividends declared	(7)	—
Currency translation adjustments and other	(1)	1
Balance at March 19, 2016	<u>\$ 54</u>	<u>\$ 7</u>

Note 7 - Income Taxes

	Quarter ended	
	2016	2015
Income tax provision	\$ 132	\$ 111
Effective tax rate	25.0%	23.4%

Our effective tax rate was lower than the U.S. federal statutory rate of 35% primarily due to the majority of our income being earned outside the U.S. where tax rates are generally lower than the U.S. rate.

Our first quarter effective tax rate was higher than the prior year primarily due to the increased cost of repatriating current year foreign earnings.

Note 8 - Reportable Operating Segments

We identify our operating segments based on management responsibility. As described in Note 1, effective January 1, 2016 our India business was segmented by brand and integrated into the global KFC, Pizza Hut and Taco Bell Divisions. Segment information for previous periods has been restated to reflect this reporting change. The following tables summarize Revenues and Operating Profit for each of our reportable operating segments:

	Quarter ended	
	2016	2015
Revenues		
China	\$ 1,303	\$ 1,256
KFC Division	625	662
Pizza Hut Division	265	272
Taco Bell Division	426	432
	<u>\$ 2,619</u>	<u>\$ 2,622</u>
	Quarter ended	
	2016	2015
Operating Profit		
China ^(a)	\$ 256	\$ 190
KFC Division	160	166
Pizza Hut Division	87	81
Taco Bell Division	119	114
Unallocated and Corporate General and administrative expenses ^(b)	(57)	(46)
Unallocated Other income (expense)	(8)	(9)
Unallocated Refranchising gain (loss) ^(c)	7	10
Operating Profit	<u>\$ 564</u>	<u>\$ 506</u>
Interest expense, net	(37)	(34)
Income Before Income Taxes	<u>\$ 527</u>	<u>\$ 472</u>

(a) Includes equity income from investments in unconsolidated affiliates of \$16 million and \$9 million for the quarters ended March 19, 2016 and March 21, 2015, respectively.

- (b) Primarily Corporate G&A expenses for the quarters ended March 19, 2016 and March 21, 2015. Amounts also include costs associated with the KFC U.S. Acceleration Agreement of \$9 million and \$2 million for the quarters ended March 19, 2016 and March 21, 2015, respectively, and \$9 million related to the planned spin-off of the China business for the quarter ended March 19, 2016. See Note 4.
- (c) See the Refranchising (Gain) Loss section of Note 4.

Note 9 - Pension Benefits

We sponsor qualified and supplemental (non-qualified) noncontributory defined benefit pension plans covering certain full-time salaried and hourly U.S. employees. The most significant of these plans, the YUM Retirement Plan, is funded. We fund our other U.S. plans as benefits are paid. The YUM Retirement Plan and our most significant non-qualified plan in the U.S. are closed to new salaried participants.

The components of net periodic benefit cost associated with our significant U.S. pension plans are as follows:

	Quarter ended	
	2016	2015
Service cost	\$ 4	\$ 4
Interest cost	13	13
Expected return on plan assets	(15)	(14)
Amortization of net loss	1	10
Amortization of prior service cost	1	—
Net periodic benefit cost	<u>\$ 4</u>	<u>\$ 13</u>

Note 10 - Fair Value Measurements

As of March 19, 2016 the carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments. The fair values of notes receivable net of allowances and lease guarantees less subsequent amortization approximates their carrying values. The Company's debt obligations, excluding capital leases, were estimated to have a fair value of \$4.6 billion (Level 2), compared to their carrying value of \$4.7 billion. We estimated the fair value of debt using market quotes and calculations based on market rates.

The Company has interest rate swaps accounted for as fair value hedges, foreign currency forwards and swaps accounted for as cash flow hedges and other investments, all of which are required to be measured at fair value on a recurring basis. Interest rate swaps are used to reduce our exposure to interest rate risk for a portion of our fixed-rate debt, and foreign currency forwards and swaps are used to reduce our exposure to cash flow volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany receivables and payables. The fair values of these swaps, forwards and other investments were not material as of March 19, 2016. In addition, certain of the Company's assets such as property, plant and equipment, goodwill and intangible assets, are measured at fair value on a non-recurring basis if determined to be impaired. During the quarter ended March 19, 2016, there were no significant assets or liabilities subject to non-recurring fair value measurements.

Note 11 - Guarantees, Commitments and Contingencies

Lease Guarantees

As a result of having assigned our interest in obligations under real estate leases as a condition to the refranchising of certain Company restaurants and guaranteeing certain other leases, we are frequently contingently liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of March 19, 2016, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessees was approximately \$575 million. The present value of these potential payments discounted at our pre-tax cost of debt at March 19, 2016 was approximately \$475 million. Our franchisees are the primary lessees under the vast majority of these leases. We generally have cross-default provisions with these franchisees that would put them in default of their franchise agreements in the event of non-payment under the leases. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these leases. Accordingly, the liability recorded for our probable exposure under such leases as of March 19, 2016 was not material.

Other Franchise Guarantees

We have provided guarantees of \$21 million on behalf of franchisees for several financing programs related to specific initiatives. The total loans outstanding under these financing programs were \$62 million as of March 19, 2016.

Legal Proceedings

We are subject to various claims and contingencies related to lawsuits, real estate, environmental and other matters arising in the normal course of business. An accrual is recorded with respect to claims or contingencies for which a loss is determined to be probable and reasonably estimable.

The Company and Taco Bell were named as defendants in a number of putative class action suits filed in 2007, 2008, 2009 and 2010 alleging violations of California labor laws including unpaid overtime, failure to timely pay wages on termination, failure to pay accrued vacation wages, failure to pay minimum wage, denial of meal and rest breaks, improper wage statements, unpaid business expenses, wrongful termination, discrimination, conversion and unfair or unlawful business practices in violation of California Business & Professions Code §17200. Some plaintiffs also sought penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act ("PAGA") as well as statutory "waiting time" penalties and alleged violations of California's Unfair Business Practices Act. Plaintiffs sought to represent a California state-wide class of hourly employees.

These matters were consolidated, and the consolidated case is styled In Re Taco Bell Wage and Hour Actions. The In Re Taco Bell Wage and Hour Actions plaintiffs filed a consolidated complaint in June 2009, and in March 2010 the court approved the parties' stipulation to dismiss the Company from the action, leaving Taco Bell as the sole defendant. Plaintiffs filed their motion for class certification on the vacation and final pay claims in December 2010, and on September 26, 2011 the court issued its order denying the certification of the vacation and final pay claims. Plaintiffs then sought to certify four separate meal and rest break classes. On January 2, 2013, the court rejected three of the proposed classes but granted certification with respect to the late meal break class. The parties thereafter agreed on a list of putative class members, and the class notice and opt out forms were mailed on January 21, 2014.

Per order of the court, plaintiffs filed a second amended complaint to clarify the class claims. Plaintiffs also filed a motion for partial summary judgment. Taco Bell filed motions to strike and to dismiss, as well as a motion to alter or amend the second amended complaint. On August 29, 2014, the court denied plaintiffs' motion for partial summary judgment. On that same date, the court granted Taco Bell's motion to dismiss all but one of the PAGA claims. On October 29, 2014, plaintiffs filed a motion to amend the operative complaint and a motion to amend the class certification order. On December 16, 2014, the court partially granted both motions, rejecting plaintiffs' proposed on-duty meal period class but certifying a limited rest break class and certifying an underpaid meal premium class, and allowing the plaintiffs to amend the complaint to reflect those certifications. On December 30, 2014, plaintiffs filed the third amended complaint. On February 26, 2015, the court denied a motion by Taco Bell to dismiss or strike the underpaid meal premium class.

Beginning on February 22, 2016, the late meal period class claim, the limited rest break class claim, the underpaid meal premium class claim, and the associated statutory "waiting time" penalty claim were tried to a jury. On March 9, 2016, the jury returned verdicts in favor of Taco Bell on the late meal period claim, the limited rest break claim, and the statutory "waiting time" penalty claim. The jury found for the plaintiffs on the underpaid meal premium class claim, awarding approximately \$0.5 million. A bench trial was subsequently conducted with respect to the PAGA claims and plaintiffs' Business & Professions Code §17200 claim. On April 8, 2016, the court returned a verdict in favor of Taco Bell on the PAGA claims and the §17200 claim. In a separate ruling issued the same day, the court also ruled that plaintiffs were entitled to prejudgment interest on the underpaid meal premium

class claim, awarding approximately \$0.3 million. Taco Bell denies liability as to the underpaid meal premium class claim and intends to file a post-trial motion to overturn the verdict. We have provided for a reasonable estimate of the possible loss relating to this lawsuit. However, in view of the inherent uncertainties of litigation, there can be no assurance that this lawsuit will not result in losses in excess of those currently provided for in our Condensed Consolidated Financial Statements.

On May 16, 2013, a putative class action styled Bernardina Rodriguez v. Taco Bell Corp. was filed in California Superior Court. The plaintiff sought to represent a class of current and former California hourly restaurant employees alleging various violations of California labor laws including failure to provide meal and rest periods, failure to pay hourly wages, failure to provide accurate written wage statements, failure to timely pay all final wages, and unfair or unlawful business practices in violation of California Business & Professions Code §17200. This case appears to be duplicative of the In Re Taco Bell Wage and Hour Actions case described above. Taco Bell removed the case to federal court and, on June 25, 2013, plaintiff filed a first amended complaint to include a claim seeking penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act. Taco Bell's motion to dismiss or stay the action in light of the In Re Taco Bell Wage and Hour Actions case was denied on October 30, 2013. In April 2014 the parties stipulated to address the sufficiency of plaintiff's legal theory as to her discount meal break claim before conducting full discovery. A hearing on the parties' cross-summary judgment motions was held on October 22, 2014, and on October 23, 2014, the court granted Taco Bell's motion for summary judgment on the discount meal break claim and denied plaintiff's motion. Trial was set for mid-April 2016. Plaintiff ceased to actively pursue this matter and failed to timely file the required pre-trial statement. Subsequently, plaintiff filed a request to dismiss with prejudice all of her remaining claims, which the court approved on March 2, 2016. Plaintiff then filed a notice of appeal concerning the court's summary judgment ruling. The Ninth Circuit has not yet set a briefing schedule.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

We are engaged in various other legal proceedings and have certain unresolved claims pending, the ultimate liability for which, if any, cannot be determined at this time. However, based upon consultation with legal counsel, we are of the opinion that such proceedings and claims are not expected to have a material adverse effect, individually or in the aggregate, on our Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction and Overview

Yum! Brands, Inc. ("YUM" or the "Company") operates, franchises or licenses a worldwide system of nearly 43,000 restaurants in more than 130 countries and territories, primarily through the concepts of KFC, Pizza Hut and Taco Bell. These three concepts are the global leaders in the chicken, pizza and Mexican-style food categories, respectively. Of the nearly 43,000 restaurants, 21% are operated by the Company and 79% are operated by franchisees, licensees or unconsolidated affiliates.

YUM currently consists of four reporting segments:

- YUM China ("China" or "China Division") which includes all operations in mainland China
- The KFC Division which includes all operations of the KFC concept outside of China Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division
- The Taco Bell Division which includes all operations of the Taco Bell concept

Effective January, 2016 our India business was segmented by brand, integrated into the global KFC, Pizza Hut and Taco Bell Divisions, and is no longer a separate operating segment. While our consolidated results were not impacted, we have restated our historical segment information for consistent presentation.

In October, 2015 we announced our intent to separate YUM's China business from YUM into an independent, publicly-traded company by the end of 2016. This transaction, which is expected to be a tax-free spin-off of our China business, will create two powerful, independent, focused growth companies with distinct strategies, financial profiles and investment characteristics. The new China entity will become a licensee of YUM in mainland China, with exclusive rights to the KFC, Pizza Hut and Taco Bell concepts. Upon completion of the planned spin-off, YUM will become more of a "pure play" franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion. Consistent with this strategy YUM is targeting 96% franchisee ownership of its restaurants by the end of 2017.

We have also announced our intention to return substantial capital to shareholders prior to this planned spin-off, the majority of which will be funded by incremental borrowings. With this recapitalization, the Company is transitioning to a non-investment grade credit rating with a balance sheet more consistent with highly-levered peer restaurant franchise companies. Moreover, this will allow for an ongoing return-of-capital framework that will seek to optimize the Company's long-term growth rate on a per-share basis.

Completion of the spin-off will be subject to certain conditions, including receiving final approval from the YUM Board of Directors, receipt of various regulatory approvals, receipt of an opinion of counsel with respect to certain tax matters, the effectiveness of filings related to public listing and applicable securities laws, and other terms and conditions as may be determined by the Board of Directors. There can be no assurance regarding the ultimate timing of the proposed transaction or that the transaction will be completed.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the unaudited Condensed Consolidated Financial Statements ("Financial Statements"), the Cautionary Note Regarding Forward-Looking Statements and our Annual Report on Form 10-K for the fiscal year ended December 26, 2015 ("2015 Form 10-K"). References to YUM throughout this discussion are made in first person notations of "we," "us" or "our."

We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including performance metrics that management uses to assess the Company's performance. Throughout this MD&A, we commonly discuss the following performance metrics:

- The Company provides certain percentage changes excluding the impact of foreign currency translation ("FX" or "Forex"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise, unconsolidated affiliate and license restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise, unconsolidated affiliate and license restaurants typically generate ongoing franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Condensed Consolidated

Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the YUM system one year or more.
- Company Restaurant profit ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analyses, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.
- Operating Margin is Operating Profit divided by Total revenues.
- Core Operating Profit growth and Core Operating margin growth exclude the impact of foreign currency translation and Special Items.
- In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this MD&A, the Company provides non-GAAP measurements which present operating results on a basis before items that we have deemed Special. The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present operations, excluding those items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

All Note references herein refer to the accompanying Notes to the Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding.

2016 Growth Model

As communicated in December, 2015 (see specific guidance at www.yum.com/investors/financial-information/guidance) we expected Core Operating Profit growth of 10% in 2016, which includes the impact of 2016 having a 53rd week. While we expect to spin off our China business prior to the end of 2016, this target assumes our China business will remain part of YUM through the end of 2016.

Results of Operations

Summary

For the quarter ended March 19, 2016 diluted EPS, excluding Special Items, increased 19% to \$0.95 per share.

Quarter highlights:

	Change				
	System Sales % ^(a)	Same-Store Sales %	Units %	Core Operating Profit %	Core Operating Margin (ppts)
China Division	+11	+6	+5	+42	+4.6
KFC Division	+5	+1	+2	+4	+0.3
Pizza Hut Division	+4	+3	+1	+9	+2.6
Taco Bell Division	+3	+1	+3	+4	+1.5
Worldwide	+5	+2	+2	+21	+2.9

(a) System Sales percentages as shown in table exclude the impact of foreign currency translation.

Additionally:

- Foreign currency translation negatively impacted our reported first quarter Operating Profit by \$28 million, which included \$13 million from our China Division.
- Our first quarter effective tax rate, excluding Special Items, increased to 25.0% from 23.3%.

In the first quarter of 2016 China Division same-store sales grew 6%, which included 12% same-store sales growth for KFC due to a successful Chinese New Year promotion. This sales growth, along with strong store-level productivity and commodity deflation, more than offset weakness at Pizza Hut Casual Dining and resulted in first quarter 2016 Core Operating Profit growth of 42% for our China Division. See the Division discussions within this Results of Operations section of this MD&A for details on our Divisions' first quarter results.

Given YUM's outperformance relative to expectations in the first quarter, we are raising our full year 2016 Core Operating Profit growth expectations from 10% to 12%. This takes into account the strong first quarter produced by KFC China, weakness at Pizza Hut Casual Dining in China, the expected benefit from an upcoming change in China's retail tax structure (see the "Significant Known Events, Trends or Uncertainties Expected to Impact Future Results" section of this MD&A), and our brand divisions continuing to produce results consistent with our initial 2016 targets. While we are raising our Operating Profit expectations for YUM, we are maintaining our expectations for China's same-store sales growth of 2%-3% for the full year.

Worldwide

The Consolidated Results of Operations for the quarters ended March 19, 2016 and March 21, 2015 are presented below:

	Quarter ended		
	2016	2015	% B/(W)
Company sales	\$ 2,165	\$ 2,179	(1)
Franchise and license fees and income	454	443	3
Total revenues	<u>\$ 2,619</u>	<u>\$ 2,622</u>	—
Restaurant profit	\$ 433	\$ 382	13
Restaurant margin %	20.0%	17.5%	2.5 ppts.
General and administrative ("G&A") expenses	\$ 286	\$ 295	3
Franchise and license expenses	48	34	(36)
Closures and impairment (income) expenses	3	3	3
Refranchising (gain) loss	(7)	(10)	(33)
Other (income) expense	(7)	(3)	NM
Operating Profit	<u>\$ 564</u>	<u>\$ 506</u>	12
Operating margin %	21.5%	19.3%	2.2 ppts.
Interest expense, net	\$ 37	\$ 34	(9)
Income tax provision	132	111	(19)
Effective Tax Rate	25.0%	23.4%	(1.6) ppts.
Net Income – including noncontrolling interests	<u>\$ 395</u>	<u>\$ 361</u>	9
Net Income (loss) – noncontrolling interests	4	(1)	NM
Net Income – YUM! Brands, Inc.	<u>\$ 391</u>	<u>\$ 362</u>	8
Diluted earnings per share ^(a)	<u>\$ 0.93</u>	<u>\$ 0.81</u>	14
Diluted earnings per share before Special Items ^(a)	<u>\$ 0.95</u>	<u>\$ 0.80</u>	19

(a) See Note 2 for the number of shares used in this calculation.

	Quarter ended		% Increase (Decrease)
	2016	2015	
System Sales Growth, reported	1%	—%	
System Sales Growth, excluding FX	5%	4%	
Unit Count	3/19/2016	3/21/2015	
Franchise & License	32,987	32,153	3
Company-owned	8,935	8,768	2
Unconsolidated Affiliates	803	770	4
	<u>42,725</u>	<u>41,691</u>	2

Special Items

Special Items, along with the reconciliation to the most comparable GAAP financial measure, are presented below.

Detail of Special Items	Quarter ended	
	2016	2015
Costs associated with the planned spin-off of the China business and YUM recapitalization (See Note 4)	\$ (9)	\$ —
Costs associated with KFC U.S. Acceleration Agreement (See Note 4)	(9)	(2)
Refranchising initiatives ^(a)	3	7
Total Special Items Income (Expense)	(15)	5
Tax Benefit (Expense) on Special Items ^(b)	4	(2)
Special Items Income (Expense), net of tax	<u>\$ (11)</u>	<u>\$ 3</u>
Average diluted shares outstanding	<u>422</u>	<u>446</u>
Special Items diluted EPS	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Reconciliation of Operating Profit Before Special Items to Reported Operating Profit		
Operating Profit before Special Items	\$ 579	\$ 501
Special Items Income (Expense)	(15)	5
Reported Operating Profit	<u>\$ 564</u>	<u>\$ 506</u>
Reconciliation of EPS Before Special Items to Reported EPS		
Diluted EPS before Special Items	\$ 0.95	\$ 0.80
Special Items EPS	(0.02)	0.01
Reported EPS	<u>\$ 0.93</u>	<u>\$ 0.81</u>
Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate		
Effective Tax Rate before Special Items	25.0%	23.3%
Impact on Tax Rate as a result of Special Items ^(b)	—%	0.1%
Reported Effective Tax Rate	<u>25.0%</u>	<u>23.4%</u>

(a) We have historically recorded refranchising gains and losses in the U.S. as Special Items due to the scope of our refranchising program and the volatility in associated gains and losses. Beginning in 2016, we are also including all international refranchising gains and losses, excluding China, in Special Items. The inclusion in Special Items of these additional international refranchising gains and losses is the result of the anticipated size and volatility of refranchising initiatives outside the U.S. that will take place in connection with our previously announced plans to increase franchise ownership of our global restaurants to 96% by the end of 2017. International refranchising gains and losses in the first quarter of 2015 were not significant and have not been reclassified into Special Items. During the quarters ended March 19, 2016 and March 21, 2015 we recorded refranchising gains of \$3 million and \$7 million, respectively, that have been reflected as Special Items.

(b) The tax benefit (expense) was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual components within Special Items.

China Division

The China Division has 7,205 units, predominately KFC and Pizza Hut Casual Dining restaurants which are the leading quick service and casual dining restaurant brands, respectively, in mainland China. Given our strong competitive position, a growing economy and a population of approximately 1.4 billion in mainland China, the Company has rapidly added KFC and Pizza Hut Casual Dining restaurants and accelerated the development of Pizza Hut Home Service (home delivery). Our 2016 targets for the China Division include same-store sales growth of 2%-3%, at least 425 net new units and Operating Profit growth of 10%, excluding the impact of foreign currency translation. Given our performance relative to expectations in the first quarter, combined with an expected positive benefit from a change in China's retail tax structure, we now believe 2016 operating profit growth will be greater than originally expected.

	Quarter ended			
			% B/(W)	
	2016	2015	Reported	Ex FX
Company sales	\$ 1,278	\$ 1,235	3	9
Franchise and license fees and income	25	21	19	25
Total revenues	<u>\$ 1,303</u>	<u>\$ 1,256</u>	4	9
Restaurant profit	\$ 286	\$ 233	23	29
Restaurant margin %	22.4%	18.9%	3.5 ppts.	3.4 ppts.
G&A expenses	\$ 66	\$ 68	3	(2)
Operating Profit	\$ 256	\$ 190	35	42
Operating margin %	19.7%	15.1%	4.6 ppts.	4.6 ppts.
	Quarter ended			
	2016	2015		
System Sales Growth, reported	6%	(9)%		
System Sales Growth, excluding FX	11%	(6)%		
Same-Store Sales Growth %	6%	(12)%		
Unit Count	3/19/2016	3/21/2015	% Increase (Decrease)	
Company-owned	5,779	5,521	5	
Unconsolidated Affiliates	803	770	4	
Franchise & License	623	555	12	
	<u>7,205</u>	<u>6,846</u>	5	

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

Income / (Expense)	Quarter ended				
	2015	Store Portfolio Actions		Other	FX
Company sales	\$ 1,235	\$ 48	\$ 60	\$ (65)	\$ 1,278
Cost of sales	(392)	(12)	(1)	20	(385)
Cost of labor	(244)	(10)	(4)	13	(245)
Occupancy and other	(366)	(13)	(2)	19	(362)
Company restaurant expenses	<u>\$ (1,002)</u>	<u>\$ (35)</u>	<u>\$ (7)</u>	<u>\$ 52</u>	<u>\$ (992)</u>
Restaurant profit	<u>\$ 233</u>	<u>\$ 13</u>	<u>\$ 53</u>	<u>\$ (13)</u>	<u>\$ 286</u>

The increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 4%, productivity initiatives and 2% commodity deflation, partially offset by 8% wage rate inflation.

Franchise and License Fees and Income

The increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by franchise and license same-store sales growth of 13%, refranchising and net new unit growth.

G&A Expenses

The increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher compensation costs due to wage inflation and increased headcount.

Operating Profit

The increase in Operating Profit, excluding the impact of foreign currency translation, was driven by the impact of same-store sales growth, net new unit growth and lower restaurant operating costs. Additionally, leap year added an extra day in 2016 resulting in incremental Operating Profit of \$6 million.

KFC Division

The KFC Division has 14,941 units, approximately 70% of which are located outside the U.S. The KFC Division has experienced significant unit growth in emerging markets, which comprised approximately 40% of both the Division's units and profits, respectively, as of the end of 2015. Additionally, 90% of the KFC Division units were operated by franchisees and licensees as of the end of 2015. Our 2016 targets for the KFC Division include same-store sales growth of 3%, at least 475 net new international units and Operating Profit growth of 11%, excluding the impact of foreign currency translation and including the impact of a 53rd week.

	Quarter ended			
	2016	2015	% B/(W)	
			Reported	Ex FX
Company sales	\$ 430	\$ 464	(7)	2
Franchise and license fees and income	195	198	(1)	6
Total revenues	<u>\$ 625</u>	<u>\$ 662</u>	(5)	3
Restaurant profit	\$ 64	\$ 67	(4)	5
Restaurant margin %	14.9%	14.5%	0.4 ppts.	0.3 ppts.
G&A expenses	\$ 76	\$ 82	6	—
Operating Profit	\$ 160	\$ 166	(4)	4
Operating margin %	25.5%	25.0%	0.5 ppts.	0.3 ppts.
	Quarter ended			
	2016	2015		
System Sales Growth, reported	(2)%	1%		
System Sales Growth, excluding FX	5 %	8%		
Same-Store Sales Growth %	1 %	4%		
Unit Count	3/19/2016	3/21/2015	% Increase (Decrease)	
Franchise & License	13,437	13,058	3	
Company-owned	1,504	1,526	(1)	
	<u>14,941</u>	<u>14,584</u>	2	

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

Income / (Expense)	Quarter ended				2016
	2015	Store Portfolio Actions	Other	FX	
Company sales	\$ 464	\$ 8	\$ 2	\$ (44)	\$ 430
Cost of sales	(161)	(3)	3	16	(145)
Cost of labor	(107)	(2)	(4)	10	(103)
Occupancy and other	(129)	(1)	—	12	(118)
Company restaurant expenses	\$ (397)	\$ (6)	\$ (1)	\$ 38	\$ (366)
Restaurant profit	\$ 67	\$ 2	\$ 1	\$ (6)	\$ 64

The increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 1% and lower commodity costs, partially offset by wage rate inflation.

Franchise and License Fees and Income

The increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by net new unit growth, refranchising, and franchise and license same-store sales growth of 1%.

G&A Expenses

G&A expenses, excluding the impact of foreign currency translation, were even with the prior year, as higher international headcount and incentive compensation costs were offset by lower U.S. pension costs.

Operating Profit

The increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit and same-store sales growth, partially offset by higher advertising contributions associated with the KFC U.S. Acceleration Agreement. Excluding the impact of these higher advertising contributions and foreign currency translation, Operating Profit grew 7%.

Pizza Hut Division

The Pizza Hut Division has 14,142 units, approximately 55% of which are located in the U.S. The Pizza Hut Division operates as one brand that uses multiple distribution channels including delivery, dine-in and express (e.g. airports). Emerging markets comprised approximately 20% of both units and profits for the Division as of the end of 2015. Additionally, 95% of the Pizza Hut Division units were operated by franchisees and licensees as of the end of 2015. Our 2016 targets for the Pizza Hut Division include same-store sales growth of 3%, at least 325 net new international units and Operating Profit growth of 7%, excluding the impact of foreign currency translation and including the impact of a 53rd week.

	Quarter ended			
	2016	2015	% B/(W)	
			Reported	Ex FX
Company sales	\$ 132	\$ 144	(8)	(6)
Franchise and license fees and income	133	128	3	6
Total revenues	<u>\$ 265</u>	<u>\$ 272</u>	(3)	—
Restaurant profit	\$ 15	\$ 17	(11)	(12)
Restaurant margin %	11.1%	11.6%	(0.5) ppts.	(0.8) ppts.
G&A expenses	\$ 50	\$ 57	14	10
Operating Profit	\$ 87	\$ 81	7	9
Operating margin %	32.9%	29.8%	3.1 ppts.	2.6 ppts.

	Quarter ended	
	2016	2015
System Sales Growth, reported	1%	(1)%
System Sales Growth, excluding FX	4%	2%
Same-Store Sales Growth %	3%	—%

Unit Count	3/19/2016	3/21/2015	% Increase (Decrease)
Franchise & License	13,393	13,236	1
Company-owned	749	790	(5)
	<u>14,142</u>	<u>14,026</u>	1

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

Income / (Expense)	Quarter ended				
	2015	Store Portfolio Actions	Other	FX	2016
Company sales	\$ 144	\$ (13)	\$ 4	\$ (3)	\$ 132
Cost of sales	(40)	4	(1)	1	(36)
Cost of labor	(44)	4	(2)	1	(41)
Occupancy and other	(43)	4	(2)	1	(40)
Company restaurant expenses	<u>\$ (127)</u>	<u>\$ 12</u>	<u>\$ (5)</u>	<u>\$ 3</u>	<u>\$ (117)</u>
Restaurant profit	<u>\$ 17</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ 15</u>

The decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were wage rate inflation and higher self-insurance costs, offset by company same-store sales growth of 4%.

Franchise and License Fees and Income

The increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by franchise and license same-store sales growth of 3% and refranchising.

G&A Expenses

The decrease in G&A expenses, excluding the impact of foreign currency translation, was driven by lapping prior year litigation costs and lower U.S. pension costs.

Operating Profit

The increase in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales growth and lower G&A expenses, partially offset by higher restaurant operating costs.

Taco Bell Division

The Taco Bell Division has 6,437 units, the vast majority of which are in the U.S. The Company owns 15% of the Taco Bell units in the U.S., where the brand has historically achieved high restaurant margins and returns. Our 2016 targets for the Taco Bell Division include same-store sales growth of 3%, at least 225 net new units and Operating Profit growth of 9%, including the impact of a 53rd week.

	Quarter ended		% B/(W)	
	2016	2015	Reported	Ex FX
Company sales	\$ 325	\$ 336	(3)	(3)
Franchise and license fees and income	101	96	6	6
Total revenues	<u>\$ 426</u>	<u>\$ 432</u>	(1)	(1)
Restaurant profit	\$ 68	\$ 65	4	4
Restaurant margin %	21.0%	19.5%	1.5 ppts.	1.5 ppts.
G&A expenses	\$ 46	\$ 44	(6)	(7)
Operating Profit	\$ 119	\$ 114	4	4
Operating margin %	28.0%	26.5%	1.5 ppts.	1.5 ppts.
	Quarter ended			
	2016	2015		
System Sales Growth, reported	3%	9%		
System Sales Growth, excluding FX	3%	9%		
Same-Store Sales Growth %	1%	6%		
Unit Count	3/19/2016	3/21/2015	% Increase (Decrease)	
Franchise & License	5,534	5,304	4	
Company-owned	903	931	(3)	
	<u>6,437</u>	<u>6,235</u>	3	

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

Income / (Expense)	Quarter ended			
	2015	Store Portfolio Actions	Other	2016
Company sales	\$ 336	\$ (10)	\$ (1)	\$ 325
Cost of sales	(95)	3	9	(83)
Cost of labor	(98)	3	(2)	(97)
Occupancy and other	(78)	3	(2)	(77)
Company restaurant expense	\$ (271)	\$ 9	\$ 5	\$ (257)
Restaurant profit	\$ 65	\$ (1)	\$ 4	\$ 68

The decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising, partially offset by net new unit growth. Significant other factors impacting Restaurant profit were lower commodity costs and the favorable impact of pricing, partially offset by transaction declines and labor inflation. Company same-store sales were even for the quarter.

Franchise and License Fees and Income

The increase in Franchise and license fees and income was driven by net new unit growth, refranchising, and franchise and license same-store sales growth of 1%.

G&A Expenses

The increase in G&A expenses, excluding the impact of foreign currency translation, was driven by higher legal fees and higher salaries and benefits, partially offset by lower U.S. pension costs.

Operating Profit

The increase in Operating Profit was driven by net new unit and same-store sales growth, partially offset by higher G&A expenses.

Corporate & Unallocated

(Expense) / Income	Quarter ended		
	2016	2015	% B/(W)
Corporate G&A expenses	\$ (48)	\$ (44)	(10)
Unallocated Franchise and License expenses	(9)	(2)	NM
Unallocated Refranchising gain (loss) (See Note 4)	7	10	(33)
Other unallocated	(8)	(9)	17
Interest expense, net	(37)	(34)	(9)
Income tax provision (See Note 7)	(132)	(111)	(19)
Effective tax rate (See Note 7)	25.0%	23.4%	(1.6) ppts.

Corporate G&A Expenses

The increase in Corporate G&A expenses was driven by costs associated with the planned spin-off of the China business (See Note 4), partially offset by lower pension costs.

Unallocated Franchise and License Expenses

Unallocated Franchise and License expenses reflect charges related to the KFC U.S. acceleration agreement. See Note 4.

Other Unallocated

Other unallocated primarily includes foreign exchange gains and losses.

Interest Expense, Net

The increase in Interest expense, net was driven by increased net borrowings.

Significant Known Events, Trends or Uncertainties Expected to Impact Future Results

The Chinese government recently announced reform to its retail tax structure, which is intended to be a progressive and positive shift to more closely align with a more modern service-based economy. Under this reform, a 6% output VAT would replace the present 5% Business Tax currently applied to certain restaurant sales. Input VAT would be creditable to the aforementioned 6% output VAT. This change is effective May 1, 2016. While it is difficult to estimate the full benefit of this VAT reform prior to its actual implementation, we expect a positive financial benefit, further enabling continued investment in the business and creating thousands of additional jobs in China.

Consolidated Cash Flows

Net cash provided by operating activities was \$659 million in 2016 versus \$516 million in 2015. The increase was primarily driven by higher Operating Profit before Special Items and lapping prior year contributions to defined benefit pension plans.

Net cash used in investing activities was \$201 million in 2016 versus \$196 million in 2015.

Net cash used in financing activities was \$243 million in 2016 versus \$246 million in 2015. Higher incremental borrowings on our credit facilities were offset by higher share repurchases.

Liquidity and Capital Resources

Operating in the retail food industry allows us to generate substantial cash flows from the operations of our company-owned stores and from our extensive franchise operations which require a limited YUM investment. Net cash provided by operating activities has exceeded \$2 billion each of the last five fiscal years. These operating cash flows have largely funded our historical capital spending and returns to shareholders in the form of cash dividends and share repurchases.

To the extent operating cash flows plus other sources of cash such as refranchising proceeds have not covered our desired levels of capital spending and returns to shareholders, we have had borrowing capacity to fund shortfalls.

We generate a significant amount of cash from operating activities outside the U.S. that we have used historically to fund our international development. To the extent we have needed to repatriate international cash to fund our U.S. discretionary cash spending, including share repurchases, dividends and debt repayments, we have historically been able to do so in a tax efficient manner. If we experience an unforeseen decrease in our cash flows from our U.S. operations or are unable to refinance future U.S. debt maturities, we may be required to repatriate future international earnings at tax rates higher than we have historically experienced.

As previously noted we intend to spin-off our China business from YUM into an independent, publicly-traded company prior to the end of 2016. Upon completion of the planned spin-off, YUM will become more of a "pure play" franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion.

As part of our intention to return up to \$6.2 billion to shareholders prior to the completion of the planned spin-off, we began increasing our rate of share repurchases in October, 2015. In December, 2015 we entered into a \$1.5 billion term loan credit agreement (the "Bridge Facility") to help fund these share repurchases. In March, 2016 we amended the Bridge Facility to increase the total amount available for borrowing to \$2.0 billion, of which the full amount was drawn down and outstanding as of March 19, 2016. Since we announced our intention to separate the China business we have repurchased 24.7 million shares for \$1.8 billion, of which 13.3 million shares were repurchased for \$925 million during the quarter ended March 19, 2016. On March 4, 2016 our Board of Directors authorized additional share repurchases through December 2016 of up to \$500 million (excluding applicable transaction fees) of our outstanding Common Stock. As of the date of filing no repurchases have been made under this authorization.

On April 21, 2016, we announced plans to refinance the Company's Bridge Facility with a new securitized financing facility, issued by newly formed subsidiaries of Taco Bell (the "Securitization Financing"). The Securitization Financing is expected to be comprised of at least \$2.0 billion of senior term notes securitizing royalties on Taco Bell U.S. system sales. The net proceeds of the Securitization Financing are expected to be used for repayment of the Bridge Facility, payment of transaction costs associated with the refinancing, and for general corporate purposes.

This Securitization Financing is yet another milestone in our strategy to optimize our capital structure targeting total company-wide leverage of approximately 5.0X EBITDA to facilitate the aforementioned \$6.2 billion return of capital to shareholders prior to the separation of our China business. As the next step in this plan, subsidiaries that operate our KFC, Pizza Hut and Taco Bell (excluding the Taco Bell subsidiaries included in the Securitization Financing) businesses will enter into a new senior secured credit facility and issue new high yield notes, which will be guaranteed by certain of our domestic subsidiaries and, in case of the new credit facility, secured by certain assets of the obligors. Our legacy publicly traded Senior Unsecured Notes will remain in place as unsecured obligations of the Company.

The Securitization Financing, as well as the new credit facility and high yield notes mentioned above, are subject to market and other conditions and are anticipated to close in the second quarter of 2016. However, there can be no assurance that the Company will be able to successfully complete the transactions, on the terms described above, or at all.

During the quarter ended March 19, 2016 we invested \$160 million in capital spending, including \$80 million in China, \$33 million in the KFC Division, \$17 million in the Pizza Hut Division and \$26 million in the Taco Bell Division.

During the quarter ended March 19, 2016 we paid cash dividends of \$192 million. Additionally, on March 4, 2016, our Board of Directors approved a cash dividend of \$0.46 per share of Common Stock, to be distributed on May 6, 2016 to shareholders of record at the close of business on April 15, 2016.

Borrowing Capacity

Our primary bank credit agreement comprises a \$1.3 billion syndicated senior unsecured revolving credit facility (the "Credit Facility") which matures in March 2017 and includes 24 participating banks with commitments ranging from \$23 million to \$115 million. We believe the syndication reduces our dependency on any one bank.

Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit, less outstanding letters of credit. At March 19, 2016, our unused Credit Facility totaled \$1.1 billion net of outstanding letters of credit of \$5 million and outstanding borrowings of \$177 million. The interest rate for borrowings under the Credit Facility ranges from 1.00% to 1.75% over the "London Interbank Offered Rate" ("LIBOR"). The exact spread over LIBOR under the Credit Facility depends upon the debt rating for the Credit Facility. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

As previously discussed, we currently have \$2.0 billion of borrowing capacity under a Bridge Facility which was fully drawn at March 19, 2016. The interest rate for most borrowings under the Bridge Facility ranges from 1.00% to 1.75% over LIBOR. The exact spread over LIBOR under the Bridge Facility depends upon the debt rating for the Bridge Facility. Interest on any outstanding borrowings under the Bridge Facility is payable at least quarterly.

The Bridge Facility includes four participating banks and matures in June, 2016 with an option for YUM to extend maturity for up to two additional three month periods. The second extension is subject to a 1.00% increase in the interest margin.

Both the Credit Facility and the Bridge Facility are unconditionally guaranteed by our principal domestic subsidiaries and contain financial covenants relating to the maintenance of leverage and fixed charge coverage ratios. The agreements for both credit facilities also contain affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreements. Given the Company's strong balance sheet and cash flows we were able to comply with all debt covenant requirements at March 19, 2016 with a considerable amount of cushion. Additionally, both facilities contain cross-default provisions whereby our failure to make any payment on our indebtedness in a principal amount in excess of \$125 million, or the acceleration of the maturity of any such indebtedness, will constitute a default under such agreement.

The majority of our remaining long-term debt primarily comprises Senior Unsecured Notes with varying maturity dates from 2016 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under Senior Unsecured Notes were \$2.5 billion at March 19, 2016. Our Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness in a principal amount in excess of \$50 million will constitute a default under the Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

Recently Adopted Accounting Pronouncements and New Accounting Pronouncements Not Yet Adopted

See Note 1 for details of recently adopted accounting pronouncements.

In May, 2014 the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. In July, 2015 the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for the Company in our first quarter of fiscal 2018 with early adoption permitted in the first quarter of 2017. The standard allows for either a full retrospective or modified retrospective transition method. In March and April, 2016 the FASB issued the following amendments to clarify the implementation guidance: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* and ASU No. 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. We do not believe these standards will impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees or licensees, which are based on a percentage of franchise and license sales. We

are continuing to evaluate the impact the adoption of these standards will have on the recognition of other less significant revenue transactions such as initial fees from franchisees and refranchising of company-owned restaurants.

In February, 2016 the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Company in our first quarter of fiscal 2019 with early adoption permitted. The standard must be adopted using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In March, 2016 the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company in our first quarter of fiscal 2017 with early adoption permitted. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes during the quarter ended March 19, 2016 to the disclosures made in Item 7A of the Company's 2015 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by the report.

Changes in Internal Control

There were no changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended March 19, 2016.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan," "could," "target," "predict," "likely," "should," "forecast," "outlook," "model," "ongoing" or other similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events, including, without limitation, statements regarding the intended capital return to shareholders as well as the related borrowing required to fund such capital return, the planned separation of the Yum! Brands and Yum! China businesses, the timing of any such separation, the future earnings and performance as well as capital structure of Yum! Brands, Inc. or any of its businesses, including the Yum! Brands and Yum! China businesses on a standalone basis if the separation is completed. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include (i) the risks and uncertainties described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2 and any Risk Factors in Part II, Item 1A of this report, (ii) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of our Form 10-K for the year ended December 26, 2015 and (iii) the factors described in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Form 10-K for the year ended December 26, 2015. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We are not undertaking to update any of these statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
YUM! Brands, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of YUM! Brands, Inc. and Subsidiaries (YUM) as of March 19, 2016 and the related condensed consolidated statements of income, comprehensive income and cash flows for the quarters ended March 19, 2016 and March 21, 2015. These condensed consolidated financial statements are the responsibility of YUM's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of YUM as of December 26, 2015, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity, for the year then ended (not presented herein); and in our report dated February 16, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 26, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Louisville, Kentucky

April 26, 2016

PART II – Other Information and Signatures

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 11 to the Company's Condensed Consolidated Financial Statements set forth in Part I of this report.

Item 1A. Risk Factors

We face a variety of risks that are inherent in our business and our industry, including operational, legal, regulatory and product risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. There have been no material changes from the risk factors disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 26, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information as of March 19, 2016 with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

Fiscal Periods	Total number of shares purchased (thousands)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (thousands)	Approximate dollar value of shares that may yet be purchased under the plans or programs (millions)
12/27/15-1/23/16	7,352	\$69.23	7,352	\$424
1/24/16-2/20/16	5,923	\$70.24	5,923	\$8
2/21/16-3/19/16	—	N/A	—	\$8
Total	13,275	\$69.68	13,275	\$8

On December 8, 2015 we announced that our Board of Directors authorized share repurchases through December 2016 of up to \$1 billion (excluding applicable transaction fees) of our outstanding Common Stock. For the quarter ended March 19, 2016, all share repurchases were made under this authorization.

Item 6. Exhibits

(a) Exhibit Index

EXHIBITS

Exhibit 10.2.2	Amendment No. 1 to Term Loan Credit Agreement, dated March 4, 2016, among the Company, the guarantors signatories thereto, the lenders signatory thereto and Goldman Sachs Bank USA
Exhibit 15	Letter from KPMG LLP regarding Unaudited Interim Financial Information (Acknowledgement of Independent Registered Public Accounting Firm)
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

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

YUM! BRANDS, INC.

(Registrant)

Date: April 26, 2016

/s/ David E. Russell

Interim Chief Financial Officer, Vice President, Finance and Corporate
Controller

(Principal Financial Officer and Principal Accounting Officer)

AMENDMENT NO. 1

AMENDMENT NO. 1, dated as of March 4, 2016 (this “**Amendment No. 1**”), among Yum! Brands, Inc. (the “**Borrower**”), the Guarantors, the existing Lenders (the “**Existing Lenders**”) under, and as defined in, the Credit Agreement (as hereinafter defined), the 2016 New Lender and Goldman Sachs Bank USA, as administrative agent (the “**Administrative Agent**”).

WHEREAS, reference is hereby made to the Term Loan Credit Agreement, dated as of December 8, 2015 (as amended, restated, amended and restated, supplemented, extended, refinanced or otherwise modified prior to giving effect to this Amendment No. 1, the “**Credit Agreement**”), among the Borrower, the Lenders party thereto and the Administrative Agent;

WHEREAS, as of the date hereof, the Borrower, the Administrative Agent and the Existing Lenders desire to amend the Credit Agreement pursuant to amendments authorized by Section 10.02(b) of the Credit Agreement to (i) permit the borrowing of the 2016 New Loan (as hereinafter defined) pursuant to this Amendment No. 1 and the Amended Credit Agreement (as hereinafter defined) and to designate such 2016 New Loan as a “Loan” for all purposes under the Credit Agreement and (ii) make the other modifications set forth herein;

WHEREAS, the Borrower desires to obtain the 2016 New Loan in an aggregate principal amount of \$500,000,000 in a single Borrowing to be provided, in its entirety, by the 2016 New Lender (and not, for the avoidance of doubt, by any other Lender);

WHEREAS, the 2016 New Loan shall have the same terms and conditions as those applicable to the Loans borrowed prior to the Amendment No. 1 Effective Date (the “**Existing Loans**”) and the 2016 New Loan and the Existing Loans shall constitute a single class of Loans under the Amended Credit Agreement (as hereinafter defined);

WHEREAS, the 2016 New Lender has agreed to provide the 2016 New Loan upon the receipt of a 2016 New Loan Borrowing Request (as hereinafter defined) and in accordance with the terms and conditions set forth in this Amendment No. 1 and in the Amended Credit Agreement; and

WHEREAS, pursuant to Section 10.02(b) of the Credit Agreement, the consent of each Lender (excluding, for the avoidance of doubt, the 2016 New Lender) is required for the effectiveness of the amendments to the Credit Agreement set forth in this Amendment No. 1, and each such Lender has agreed to consent to such amendments;

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. *Defined Terms; References.* (a) Unless otherwise specifically defined herein, each term used herein which is defined in the Amended Credit Agreement has the meaning assigned to such term in the Amended Credit Agreement. The rules of construction and other interpretive provisions specified in Sections 1.02, 1.03 and 1.04 of the Amended Credit Agreement shall apply to this Amendment No. 1, including terms defined in the preamble and recitals hereto.

(b) As used in this Amendment No. 1, the following terms have the meanings specified below:

“**Amended Credit Agreement**” shall mean the Credit Agreement, as amended by this Amendment No. 1.

“**Amendment No. 1**” shall have the meaning provided in the preamble hereto.

“**Amendment No. 1 Effective Date**” shall have the meaning provided in Section 8 hereof.

“**2016 New Lender**” shall mean Wells Fargo Bank, National Association.

“**2016 New Loan**” shall have the meaning provided in Section 2 hereof.

“**2016 New Loan Borrowing Request**” shall have the meaning provided in Section 2 hereof.

“**2016 New Loan Commitment**” shall mean the amount set forth opposite the 2016 New Lender’s name on Schedule 1 to this Amendment No. 1 as the 2016 New Lender’s “2016 New Loan Commitment”. The principal amount of the 2016 New Loan Commitment as of the Amendment No. 1 Effective Date is \$500,000,000.

Section 2. *2016 New Loan.*

(a) To request the 2016 New Loan, the Borrower shall deliver to the Administrative Agent a duly completed and executed Borrowing Request in the form of Exhibit A (the “**2016 New Loan Borrowing Request**”) in accordance with Section 2.03 of the Amended Credit Agreement and subject to the terms and conditions set forth herein and in the Amended Credit Agreement, the 2016 New Lender (and, for the avoidance of doubt, no other Lender) shall make a loan (the “**2016 New Loan**”) to the Borrower in accordance with this Section 2(a) and the applicable provisions of the Amended Credit Agreement by delivering to the Administrative Agent immediately available funds in an amount equal to the 2016 New Loan Commitment.

(b) For the avoidance of doubt, the Existing Loans and the 2016 New Loan shall constitute a single class of Loans under the Amended Credit Agreement and the Existing Loans and the 2016 New Loan shall be deemed to be part of the same Borrowing.

Section 3. *Amendment; Borrowing on Amendment No. 1 Effective Date.* (a) Each of the parties hereto agrees that, effective on the Amendment No. 1 Effective Date and prior to the borrowing of the 2016 New Loan, the Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit B hereto.

(b) With effect from the effectiveness of this Amendment No. 1, the 2016 New Loan, when made, shall constitute, for all purposes of the Amended Credit Agreement, a Loan made pursuant to the Amended Credit Agreement and the 2016 New Lender shall constitute, for all purposes of the Amended Credit Agreement, a Lender thereunder.

(c) Unless previously terminated, the 2016 New Loan Commitment provided for hereunder shall terminate on the earliest of (x) the date on which the 2016 New Loan is borrowed pursuant to Section 2.02 of the Amended Credit Agreement, (y) the date that is 10 Business Days following the Amendment No. 1 Effective Date and (z) the ChinaCo Spin Effective Date.

Section 4. *Effect of Amendment; Reaffirmation; Etc.* Except as expressly set forth herein or in the Amended Credit Agreement, this Amendment No. 1 shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Agents under the Credit Agreement or under any other Loan Document and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or of any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Without limiting the foregoing, (i) each Loan Party acknowledges and agrees that each Loan Document to which it is a party is hereby confirmed and ratified and shall remain in full force and effect according to its respective terms (in the case of the Credit Agreement, as amended hereby) and (ii) each Guarantor hereby confirms and ratifies its continuing unconditional obligations as Guarantor under the Guarantee Agreement with respect to all of the Obligations (including, for the avoidance of doubt, the 2016 New Loan, when borrowed). On and as of the Amendment No. 1 Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference, and each reference in any other Loan Document to “the Credit Agreement”, “thereof”, “thereunder”, “therein” or “thereby” or any other similar reference to the Credit Agreement shall refer to the Credit Agreement as amended hereby.

Section 5. *Representations of Loan Parties.* The Borrower hereby represents and warrants that, immediately prior to and immediately after giving effect to the transactions contemplated by this Amendment No. 1:

(a) the representations and warranties of the Company set forth in the Amended Credit Agreement shall be true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects) on and as of the Amendment No. 1 Effective Date, except to the extent that any such representations and warranties expressly relate to an earlier date in which case any such representations and warranties shall be true and correct (or, in the case of any such representation or warranty not qualified as to materiality, true and correct in all material respects) at and as of such earlier date; and

(b) at the time of and immediately after giving effect to the Amendment No. 1 Effective Date, no Default shall have occurred and be continuing and, solely in the event that any amounts remain outstanding or any commitments remain in place under the Existing Credit Agreement, no “Default” or “Event of Default” shall have occurred and be continuing under the Existing Credit Agreement.

Section 6. *Governing Law.* THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

Section 7. *Counterparts.* This Amendment No. 1 may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Amendment No. 1 by facsimile or electronic transmission shall be as effective as delivery of a manually signed counterpart of this Amendment No. 1.

Section 8. *Effectiveness*. This Amendment No. 1, and the commitment of the 2016 New Lender to make the 2016 New Loan, shall become effective on the date (the “**Amendment No. 1 Effective Date**”) when each of the following conditions shall have been satisfied:

(a) the Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Amendment No. 1 signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Amendment No. 1;

(b) the Administrative Agent shall have received a favorable written opinion of (i) Mayer Brown LLP, U.S. Counsel for the Loan Parties, and (ii) K&L Gates LLP, special North Carolina counsel to the Company, each dated the Amendment No. 1 Effective Date and in form and substance reasonably satisfactory to the Administrative Agent; the Borrower hereby requests such counsel to deliver such opinion;

(c) the Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower (such evidence of good standing to be limited to the good standing of the Borrower in the Borrower’s jurisdiction of organization), the authorization of the Transactions and any other legal matters relating to the Borrower, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent, the 2016 New Lender and their respective counsel;

(d) the Administrative Agent shall have received all fees (including the upfront fees payable to the 2016 New Lender) and other amounts due and payable on or prior to the Amendment No. 1 Effective Date, including to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder;

(e) the Borrower shall have executed and delivered to the 2016 New Lender a promissory note payable to such Lender; and

(f) the 2016 New Lender shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including information required under the Act.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed by their respective authorized officers as of the day and year first above written.

YUM! BRANDS, INC.,

By: _____
Name:
Title:

[GUARANTOR]¹

By: _____
Name:
Title:

¹Signatures of each Guarantor to be provided.

[Signature Page to Amendment No. 1]

JPMORGAN CHASE BANK, N.A.,

By:

Name:

Title:

CITIBANK, N.A.,

By: _____

Name:

Title:

GOLDMAN SACHS BANK USA, individually and as
Administrative Agent,

By: _____

Name:

Title:

2016 New Lender:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as the
2016 New Lender

By _____
Name:
Title:

2016 New Loan Commitment

Lender

Wells Fargo Bank, National Association

2016 New Loan Commitment

\$500,000,000

[FORM OF] 2016 NEW LOAN BORROWING REQUEST

Goldman Sachs Bank USA
c/o Goldman, Sachs & Co.
30 Hudson Street, 36th Floor
Jersey City, NJ 07302
Attention: SBD Operations
Email: gsd.link@gs.com

Goldman Sachs Bank USA
200 West Street
New York, New York 10282-2198
Attention: Aaron Peyton

[DATE]

Re: 2016 New Loan Borrowing Request

Ladies and Gentlemen:

Reference is made to the Term Loan Credit Agreement dated as of December 8, 2015 (as amended by Amendment No. 1, dated as of March 4, 2016 and as further amended, supplemented or otherwise modified time to time, the “**Credit Agreement**”), among Yum! Brands, Inc. (the “**Borrower**”), the Lenders from time to time party thereto and Goldman Sachs Bank USA, as administrative agent for the Lenders. Each capitalized term used but not defined herein shall have the meaning assigned to it in the Credit Agreement or Amendment No. 1 as the context requires.

The Borrower hereby gives you notice pursuant to Section 2(a)(i) of Amendment No. 1 that it requests the 2016 New Loan under the Credit Agreement to be provided, in its entirety, by the 2016 New Lender (and not, for the avoidance of doubt, by any other Lender), and in that connection sets forth below the terms on which such 2016 New Loan is requested to be made:

- (a) Such 2016 New Loan shall be in an aggregate principal amount equal to \$500,000,000;
- (b) the date of such borrowing shall be ;

²To be during the 2016 Availability Period. The date of any Borrowing must be a Business Day and (a) in the case of LIBOR Borrowing, three Business Days after the date of this Borrowing Request if this request is submitted by 1:00 p.m., Local Time, and the next Business Day thereafter if this request is submitted after 1:00 p.m., Local Time and (b) in the case of an ABR Borrowing, the date of this Borrowing Request if this request is submitted by 1:00 p.m., Local Time, and the next Business Day thereafter if this request is submitted after 1:00 p.m., Local Time.

- (c) such Borrowing shall be [an ABR Borrowing][a LIBOR Borrowing];
- (d) [if such Borrowing is a LIBOR Borrowing,] the initial Interest Period for such Borrowing shall have a [] duration³; and
- (e) the location and number of the Borrower's account to which funds are to be disbursed⁴.

The Borrower hereby represents and warrants that on the date of this 2016 New Loan Borrowing Request and on the date of the related Borrowing, the conditions to lending specified in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement have been satisfied.

[Signature page follows]

³Irregular Interest Period to be included, such that the LIBOR contract will expire on April 4, 2016.

⁴Such account is to comply with the requirements of Section 2.08 of the Credit Agreement.

Very truly yours,

Yum! Brands, Inc.,

By: _____
Name:
Title:

[Amendments to Credit Agreement attached]

[FORM OF] 2016 NEW LOAN BORROWING REQUEST

Goldman Sachs Bank USA
c/o Goldman, Sachs & Co.
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Jersey City, NJ 07302
Attention: SBD Operations
Email: gsd.link@gs.com

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- (c) such Borrowing shall be [an ABR Borrowing][a LIBOR Borrowing];
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The Borrower hereby represents and warrants that on the date of this 2016 New Loan Borrowing Request and on the date of the related Borrowing, the conditions to lending specified in paragraphs (a) and (b) of Section 4.02 of the Credit Agreement have been satisfied.

[Signature page follows]

³Irregular Interest Period to be included, such that the LIBOR contract will expire on April 4, 2016.

⁴Such account is to comply with the requirements of Section 2.08 of the Credit Agreement.

Very truly yours,
Yum! Brands, Inc.,

By: _____
Name:
Title:

[Amendments to Credit Agreement attached]

TERM LOAN CREDIT AGREEMENT

dated as of

December 8, 2015

as amended as of March 4, 2016

among

YUM! BRANDS, INC.,

The Lenders Party Hereto

and

GOLDMAN SACHS BANK USA

as Administrative Ag

CITIBANK, N.A.

and

JPMORGAN CHASE BANK, N.A.

as Syndication Agents,

WELLS FARGO BANK, NATIONAL ASSOCIATION**

as Documentation Agent

*From and including the Amendment No. 1 Effective Date, JPMorgan Chase Bank, N.A. shall act as a Lead Arranger and Bookrunner, in place of J.P. Morgan Securities LLC.

**From and including the Amendment No. 1 Effective Date, Wells Fargo Bank, National Association shall act as a Documentation Agent and Wells Fargo Securities, LLC shall act as a Lead Arranger and Bookrunner.

and

GOLDMAN SACHS BANK USA,
J.P. MORGAN SECURITIES LLC,*

and

CITIGROUP GLOBAL MARKETS INC.

and

WELLS FARGO SECURITIES, LLC**

as Lead Arrangers and Bookrunners

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CREDIT AGREEMENT dated as of December 8, 2015, as amended as of the Amendment No. 1 Effective Date, among YUM! BRANDS, INC., the LENDERS party hereto and GOLDMAN SACHS BANK USA, as Administrative Agent.

The parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Defined Terms.* As used in this Agreement, the following terms have the meanings specified below:

“2016 Availability Period” shall mean the period beginning on the Amendment No. 1 Effective Date and ending on the earlier to occur of (x) the date that is 10 Business Days following the Amendment No. 1 Effective Date and (y) the ChinaCo Spin Effective Date.

“2016 New Lender” shall have the meaning assigned to such term in Amendment No. 1.

“2016 New Loan” shall have the meaning assigned to such term in Amendment No. 1.

“2016 New Loan Borrowing Request” shall have the meaning assigned to such term in Amendment No. 1.

“**ABR**”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“**Acquired Business**” means any Person, property, business or asset acquired (or, as applicable, proposed to be acquired) by the Company or a Subsidiary pursuant to a Permitted Acquisition.

“**Act**” has the meaning assigned to such term in Section 10.15.

“**Adjusted EBITDA**” means, for any period, the Consolidated EBITDA of the Company for such period, adjusted (a) to include (to the extent not otherwise included) the Consolidated EBITDA of any Acquired Business acquired during such period (and, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term “Permitted Acquisition”, any Acquired Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been acquired subsequent to the end of such period and prior to such time as well as that proposed to be acquired) pursuant to a Permitted Acquisition and not subsequently sold, transferred or otherwise disposed of during such period (or, solely

for purposes of determining whether a proposed acquisition is a Permitted Acquisition, subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Acquired Business for such period (including the portion thereof attributable to such period prior to the date of acquisition of such Acquired Business) and (b) to exclude the Consolidated EBITDA of any Sold Business sold, transferred or otherwise disposed of during such period (and, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term “Permitted Acquisition”, any Sold Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been sold, transferred or otherwise disposed of subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Sold Business for such period (including the portion thereof attributable to such period prior to the date of sale, transfer or disposition of such Sold Business). For purposes of calculating Adjusted EBITDA for any period, the portion of the Consolidated EBITDA of any Acquired Business that is to be included in Adjusted EBITDA for such period that is attributable to the period prior to the date of acquisition of such Acquired Business shall be determined as though all net income of such Acquired Business for such period was distributed to the holders of the Equity Interests of such Acquired Business ratably.

“**Adjusted LIBO Rate**” means with respect to any LIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the LIBO Rate for U.S. Dollars for such Interest Period.

“**Administrative Agent**” means GS Bank, in its capacity as administrative agent for the Lenders hereunder. Unless the context requires otherwise, the term “Administrative Agent” shall include any Affiliate of GS Bank through which GS Bank shall perform any of its obligations in such capacity hereunder.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agreement” means this Term Loan Credit Agreement as amended as of the Amendment No. 1 Effective Date and as further modified, supplemented, amended, restated (including any amendment and restatement hereof), extended or renewed from time to time.

“**Alternate Base Rate**” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the New York Fed Bank Rate in effect on such day plus 1/2 of 1% and (c) the Adjusted LIBO Rate that would be applicable to a LIBOR Loan with an interest period of one month commencing on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%. For purposes of clause (c) above, the Adjusted LIBO Rate on any day shall be based on the rate per annum appearing on the ICE LIBOR USD page of the Reuters

screen displaying the London interbank offered rate administered by the ICE Benchmark Administration (or on any successor or substitute screen provided by Reuters, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such screen, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to U.S. Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, on such day for deposits in U.S. Dollars with a maturity of one month. Any change in the Alternate Base Rate due to a change in the Prime Rate, the New York Fed Bank Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the new York Fed Bank Rate or the Adjusted LIBO Rate, respectively.

“Amendment No. 1” means that certain Amendment No. 1 to this Agreement dated as of March 4, 2016 among the Borrower, the Guarantors party thereto, the Lenders party thereto and the Administrative Agent.

“Amendment No. 1 Effective Date” has the meaning assigned to such term in Amendment No. 1.

“**Applicable Percentage**” means, with respect to any Lender, the percentage of the total Commitments represented by such Lender’s Commitment; *provided* that in the case of Section 2.23 when a Defaulting Lender shall exist, “**Applicable Percentage**” shall mean the percentage of total Commitments (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“**Applicable Rate**” means, for any day, with respect to any commitment Fees payable hereunder, LIBOR Loan or ABR Loan, as the case may be, the applicable rate per annum set forth below under the caption “Commitment Fee”, “LIBO Rate Spread” or “ABR Spread”, as the case may be, as determined in the manner set forth below based upon the ratings by Moody’s and S&P, respectively, applicable on such date to the Index Debt.

<u>Category</u>	<u>Index Debt Ratings (Moody’s/S&P)</u>	<u>Commitment Fee (basis points)</u>	<u>LIBO Rate Spread (basis points) applicable to Loans prior to the Second Extension Date</u>	<u>ABR Spread (basis points) applicable to Loans prior to the Second Extension Date</u>	<u>LIBO Rate Spread (basis points) applicable to Loans following the Second Extension Date</u>	<u>ABR Spread (basis points) applicable to Loans following the Second Extension Date</u>
1	A3 / A-	10.0	100.0	0.0	200.0	100.0
2	Baa1 / BBB+	12.5	112.5	12.5	212.5	112.5
3	Baa2 / BBB	17.5	125.0	25.0	225.0	125.0
4	Baa3 / BBB-	22.5	150.0	50.0	250.0	150.0
5	≤ Ba1 / BB+	25.0	175.0	75.0	275.0	175.0

“**Business Day**” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; *provided* that when used in connection with a LIBOR Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

“**Capital Expenditures**” means, for any period, (a) the additions to property, plant and equipment and other capital expenditures of the Company and its Included Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Company for such period prepared in accordance with GAAP (except for the exclusion of Excluded Subsidiaries) and (b) Capital Lease Obligations incurred by the Company and its Included Subsidiaries during such period; *provided* that consideration paid for Permitted Acquisitions shall not be construed to constitute Capital Expenditures.

“**Capital Lease Obligations**” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“**Change in Control**” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the ~~date hereof~~ **Effective Date**), of Equity Interests representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Company by any Person or group.

“**Change in Law**” means (a) the adoption of any law, rule or regulation after the Effective Date, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by any Lender (or, for purposes of Section 2.16(b), by any lending office of such Lender or by such Lender’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date that would be complied with by similarly situated banks acting reasonably; *provided, however*, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in

each case pursuant to Basel III, shall in each case be deemed to be a “**Change in Law**”, regardless of the date enacted, adopted, promulgated or issued.

“**Change in Tax Law**” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority.

“**ChinaCo Spin Effective Date**” means the effective date of the transaction under which Yum! China is spun off and the Company splits into two separate publicly traded companies pursuant to the Company’s announcement and press release dated October 20, 2015 regarding such transaction.

“**CLO**” has the meaning assigned to such term in Section 10.04.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Commitment**” means with respect to each Lender, the commitment of such Lender to make Loans to the Borrower hereunder. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, as amended by Amendment No. 1. The aggregate amount of the Commitments (i) as of the Effective Date was US\$1,500,000,000 and (ii) as of the Amendment No. 1 Effective Date is US\$~~1,500,000,000~~2,000,000,000.

“**Commitment Period End Date**” means the date occurring three months after the Effective Date.

“**Company**” means Yum! Brands, Inc., a North Carolina corporation.

“**Competitive Bid**” means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

“**Competitive Bid Rate**” means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

“**Competitive Bid Request**” means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

“**Competitive Loan**” means a Loan that is made pursuant to a Competitive Bid Request.

“**Consenting Lender**” has the meaning set forth in Section 2.10(d).

“Documentation Agent” means, from and including the Amendment No. 1 Effective Date, Wells Fargo Bank, National Association in its capacity as a documentation agent in respect of the credit facilities established hereunder.

“Domestic Subsidiary” means a Subsidiary that is not a Foreign Subsidiary.

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 10.02).

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management, Release or threatened Release of any hazardous or toxic substances or wastes or to health and safety matters.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental compliance, investigation or remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the presence, Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interests.

“Equity Issuance” means the issuance of any Equity Interests (excluding issuances pursuant to employee stock plans or other benefit or employee incentive arrangements).

“Equity Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Company or any option, warrant or other right to acquire any such Equity Interests in the Company.

ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.18(a), (d) Taxes attributable to such Lender's failure to comply with Section 2.18(d), except to the extent that such failure resulted from a Change in Tax Law after the date such Lender first becomes a party to any Loan Document which rendered such Lender no longer legally entitled to deliver the form, forms or other documentation required by Section 2.18(d) or otherwise ineligible for an exemption from, or reduced rate of, withholding and (e) any Taxes imposed under FATCA.

“**Existing Credit Agreement**” means the Credit Agreement dated as of March 22, 2012 among the Borrower, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Extension Date**” has the meaning set forth in Section 2.10(e).

“**Facility**” means the term loan credit facility made available to the Borrower pursuant to this Agreement.

“**FATCA**” means Sections 1471 through 1474 of the Code as of the date of this Agreement and any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code, any applicable intergovernmental agreement entered into between the United States and any other Governmental Authority in connection with the implementation of the foregoing and any fiscal or regulatory legislation, rules or official practices adopted pursuant to any such intergovernmental agreement.

“**Federal Funds Effective Rate**” means, for any day, the rate calculated by the New York Fed based on such day's federal funds transactions by depository institutions (as determined in such manner as the New York Fed shall set forth on its public website from time to time) and published on the next succeeding Business Day by the New York Fed as an overnight bank funding rate (from and after such date as the New York Fed shall commence to publish such composite rate).

“**Fee Letter**” means the fee letter, dated as of the ~~date hereof~~ **Effective Date**, among the Borrower, the Administrative Agent and the Lead Arrangers, **as amended by the Amended and Restated Fee Letter, dated as of the Amendment No. 1 Effective Date and as further amended, supplemented or otherwise modified from time to time.**

“**Financial Officer**” means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

“First Extension Date” has the meaning assigned to such term in Section 2.10(e).

“**Fixed Charge Coverage Ratio**” means, for any period, the ratio of (i) Consolidated EBITDAR of the Company for such period minus Capital Expenditures

refinance, replace, renew or extend the Existing Credit Agreement or, if such indebtedness is rated by neither Moody's nor S&P, then (b) senior unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person or subject to any other credit enhancement (regardless of whether there is any such indebtedness outstanding).

“**Initial Borrowing**” has the meaning assigned to such term in Section 4.02(c).

“**Initial Borrowing End Date**” has the meaning assigned to such term in Section 4.02(c).

“**Interest Election Request**” means a request by a Borrower to convert or continue a Borrowing in accordance with Section 2.09.

“**Interest Payment Date**” means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any LIBOR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing.

“**Interest Period**” means (a) with respect to any LIBOR Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two or three months (or, (x) solely in the case of the Initial Borrowing, six months and (y) solely in the case of the initial Borrowing of the 2016 New Loan, such other number of days as may be agreed among the 2016 New Lender, the Administrative Agent and the Borrower) thereafter, as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than one day or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; *provided* that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a LIBOR Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a LIBOR Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date

on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“**IRS**” means the U.S. Internal Revenue Service.

“**JPMCB**” means JPMorgan Chase Bank, N.A.

“**Lead Arranger**” means each of GS Bank, J.P. Morgan Securities LLC ~~and~~ (provided, that from and including the Amendment No. 1 Effective Date, JPMorgan Chase Bank, N.A. shall act as Lead Arranger hereunder; provided, further that the Company agrees that JPMorgan Chase Bank, N.A. may perform its responsibilities hereunder through its affiliate J.P. Morgan Securities LLC), Citigroup Global Markets Inc. and from and including the Amendment No. 1 Effective Date, Wells Fargo Securities, LLC in its capacity as a lead arranger in respect of the credit facilities established hereunder.

“**Lenders**” means the Persons listed on Schedule 2.01, as amended by Amendment No. 1 and as the same may be amended or modified from time to time and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

“**Leverage Ratio**” means, on any date, the ratio of (a) Consolidated Indebtedness as of such date to (b) Adjusted EBITDA for the period of four consecutive fiscal quarters of the Company ended on such date (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of the Company most recently ended prior to such date).

“**LIBO Rate**” means, with respect to any LIBOR Borrowing for any Interest Period, (a) the applicable Screen Rate or (b) if no Screen Rate is available for such Interest Period, the arithmetic mean (rounded up to four decimal places) of the rates quoted by the Reference Banks to leading banks in the London interbank market for the offering of deposits in U.S. Dollars and for a period comparable to such Interest Period, in each case as of the Specified Time on the Quotation Day; *provided* that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“**LIBOR**”, when used in reference to any Loan or Borrowing, refers to whether such Loan or Borrowing, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

“**Lien**” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of

securities, any purchase option, call or similar right of a third party (other than any such rights of a financial institution under repurchase agreements described in clause (d) of the definition of “Permitted Investments” entered into with such financial institution) with respect to such securities.

“**Lien Basket Amount**” means, at any time, the sum of (a) the Securitization Amount at such time in respect of Permitted Securitization Transactions and Liens arising in connection therewith to the extent not otherwise permitted by clause (h) of Section 6.02, plus (b) the aggregate principal amount of obligations (including contingent obligations, in the case of Guarantees or letters of credit) at such time secured by Liens permitted under clause (i) of Section 6.02, plus (c) the fair market value of all property sold or transferred after the Effective Date pursuant to Sale and Lease-Back Transactions permitted by clause (c) of Section 6.11.

“**Loan**” means any loan made by a Lender to the Borrower pursuant to this Agreement.

“**Loan Documents**” means this Agreement, [Amendment No. 1](#), the Guarantee Agreement, the Fee Letter and any promissory notes issued pursuant to Section 2.11(e).

“**Loan Parties**” means the Borrower and the Guarantors.

“**Local Time**” means New York City time.

“**Margin**” means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole, (b) the ability of the Company to perform any of its obligations under any Loan Document or (c) the rights and remedies available to the Lenders under any Loan Document.

“**Material Indebtedness**” means Indebtedness (other than (a) the Loans and (b) Indebtedness owing to the Company or a Subsidiary), or obligations in respect of one or more Hedging Agreements, of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding \$125,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

“**Maturity Date**” means the date occurring six months after the Effective Date (~~the “Original Maturity Date”~~), as such date may be extended pursuant to Section 2.10(e).

“**Maturity Date Extension Request**” has the meaning set forth in Section 2.10(~~de~~).

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Multiemployer Plan**” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“**Net Cash Proceeds**” means:

(a) with respect to any sale or other disposition of assets by the Borrower or any of its Subsidiaries, the excess, if any, of (i) the cash received in connection therewith (including any cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) payments made to retire any Indebtedness that is secured by such asset and that is required to be repaid in connection with the sale thereof (other than Loans), (B) the fees and expenses incurred by the Borrower or any of its Subsidiaries in connection therewith, (C) taxes paid or reasonably estimated to be payable in connection with such transaction and (D) the amount of reserves established by the Borrower or any of its Subsidiaries in good faith and pursuant to commercially reasonable practices for adjustment in respect of the sale price of such asset or assets in accordance with applicable generally accepted accounting principles; *provided* that if the amount of such reserves exceeds the amounts charged against such reserve, then such excess, upon the determination thereof, shall then constitute Net Cash Proceeds; and *provided further*, that if the Borrower or any of its Subsidiaries receives proceeds that would otherwise constitute Net Cash Proceeds from a sale or other disposition of assets, the Borrower or such Subsidiary may reinvest, or commit to reinvest, any portion of such proceeds in the business of the Borrower or any of its Subsidiaries and, in such case, such proceeds shall only constitute Net Cash Proceeds to the extent not so reinvested (or committed to be reinvested) within the 90-day period following receipt of such proceeds;

(b) with respect to any Debt Issuance, the excess, if any, of (i) cash received by the Borrower and its Subsidiaries in connection with such Debt Issuance over (ii) the sum of (A) payments made to retire any Indebtedness for borrowed money that is required to be repaid in connection with such Debt Issuance (other than the Loans) and (B) the aggregate amount of all Taxes paid or reasonably estimated to be payable and all underwriting discounts and commissions and other fees and expenses incurred by the Borrower and its Subsidiaries in connection with such Debt Incurrence; and

(c) with respect to any Permitted Securitization Transaction, the excess, if any, of (i) the aggregate Securitization Amount in respect of such Permitted

“**Non-Funding Lender**” has the meaning set forth in the definition of “**Defaulting Lender**”.

“**Original Maturity Date**” ~~has the meaning set forth in the definition of “Maturity Date”~~ means for purposes of a Maturity Date Extension Notice delivered pursuant to Section 2.10(e), (i) with respect to the First Extension Date, the date occurring six months after the Effective Date and (ii) with respect to the Second Extension Date, the date occurring nine months after the Effective Date.

“**Other Taxes**” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement except for any such taxes imposed in connection with an assignment (other than an assignment made pursuant to Section 2.20).

“**Overnight Bank Funding Rate**” means, for any day, the rate comprised of both overnight federal funds and overnight LIBOR borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the New York Fed as set forth on its public website from time to time) and published on the next succeeding Business Day by the New York Fed as an overnight bank funding rate (from and after such date as the New York Fed shall commence to publish such composite rate).

“**Parent**” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“**Participant**” has the meaning set forth in Section 10.04.

“**Participant Register**” has the meaning set forth in Section 10.04(c)(ii).

“**PBGC**” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“**Permitted Acquisition**” means the acquisition by the Company or a Subsidiary of the assets of a Person constituting a business unit or any Equity Interests of a Person; *provided* that (a) immediately after giving effect thereto no Default shall have occurred and be continuing or would result therefrom, (b) all transactions related thereto shall be consummated in accordance with applicable laws, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, (c) in the case of an acquisition of Equity Interests in a Person, after giving effect to such acquisition, at least 90% of the Equity Interests in such Person, and any other Subsidiary resulting from such acquisition, shall be owned directly or indirectly by the Company or any of its wholly owned Subsidiaries, (d) the Company and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Sections 6.09 and 6.10 recomputed as of the last day of the most recently ended fiscal quarter of the Company for which

Quotation Day (and if such page is replaced or such service ceases to be available, another page or service displaying the appropriate rate designated by the Administrative Agent after consultation with the Company).

“**Sale and Lease-Back Transaction**” has the meaning assigned to such term in Section 6.11.

“**Second Extension Date**” has the meaning set forth in [Section 2.10\(e\)](#).

“**Securitization Amount**” means, at any date of determination thereof and in respect of any Permitted Securitization Transaction, (a) in the case of a Permitted Securitization Transaction structured as a borrowing of loans secured by receivables or royalty payments, the outstanding principal amount of Indebtedness incurred in respect of such Permitted Securitization Transaction that is secured by such receivables or royalty payments and (b) in the case of a Permitted Securitization Transaction structured as a sale or other transfer of receivables or royalty payments (other than a sale or transfer of such receivables or royalty payments to a Subsidiary), the aggregate amount of cash consideration received by the Company or any of its Subsidiaries from such sale or transfer, but only to the extent representing the outstanding equivalent of principal, capital or comparable interests in respect of such receivables or royalty payments that remain uncollected at such time and would not be distributed to the Company or a Subsidiary if such Permitted Securitization Transactions were to be terminated at such time.

“**Securitization Subsidiary**” means any Subsidiary that is formed by the Company or any of its Subsidiaries for the sole purpose of effecting or facilitating a Permitted Securitization Transaction and that (a) owns no assets other than receivables, royalty payments and other assets that are related to such Permitted Securitization Transaction and (b) engages in no business and incurs no Indebtedness, in each case, other than those related to such Permitted Securitization Transaction.

“**Sold Business**” means any Person, property, business or asset sold, transferred or otherwise disposed of by the Company or any Subsidiary, other than in the ordinary course of business.

“**Specified Currency**” has the meaning assigned to such term in Section 10.14.

“**Specified Time**” means with respect to the LIBO Rate, 11:00 a.m., London time.

“**subsidiary**” means, with respect to any Person (the “**parent**”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the

require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. *Accounting Terms; GAAP.* Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that (a) if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the ~~date hereof~~ **Effective Date** in GAAP or in the application or interpretation thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith and (b) notwithstanding any other provision contained herein, (i) all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159, The Fair Value Option for Financial Assets and Financial Liabilities, or any successor thereto (including pursuant to the Accounting Standards Codification), to value any Indebtedness of the Company or any Subsidiary at “fair value”, as defined therein and (ii) for purposes of determining compliance with any provision of this Agreement, the determination of whether a lease is to be treated as an operating lease or capital lease shall be made without giving effect to any change in accounting for leases pursuant to GAAP resulting from the implementation of proposed Accounting Standards Update - Leases (Topic 840) issued August 17, 2010, or any successor proposal.

ARTICLE 2

THE CREDITS

Section 2.01. Section 2.01. *Commitments*. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans denominated in U.S. Dollars to the Borrower from time to time during the Availability Period (and, in the case of the 2016 New Lender, during the 2016 Availability Period) in an aggregate principal amount that will not result in (i) such Lender's Loans exceeding such Lender's Commitment or (ii) the sum of the total Loans extended hereunder plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. The Loans to be made during the Availability Period shall be available in up to three drawings, and the 2016 New Loan to be made during the 2016 Availability Period shall be available in a single drawing. Within the foregoing limits and subject to the terms and conditions set forth herein, the Loans borrowed under this Section 2.01 and paid or prepaid may not be reborrowed.

Section 2.02. *Loans and Borrowings*. (a) ~~Each~~Except as set forth in Amendment No. 1, each Loan shall be made as part of a Borrowing consisting of Loans of the same Type made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.15, (i) each Borrowing shall be comprised entirely of ABR Loans or LIBOR Loans and (ii) each Competitive Borrowing shall be comprised entirely of LIBOR Loans or Fixed Rate Loans, in each case as the Borrower may request in accordance herewith. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement and shall not result in any increased costs under Section 2.16 or any obligation by the Borrower to make any payment under Section 2.18 in excess of the amounts, if any, that such Lender would be entitled to claim under Section 2.16 or 2.18, as applicable, without giving effect to such change in lending office.

(c) At the commencement of each Interest Period for any LIBOR Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of the Borrowing Multiple and not less than the Borrowing Minimum. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of US\$1,000,000 and not less than US\$10,000,000; *provided* that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of US\$1,000,000 and not less than US\$10,000,000. Borrowings of more than one Type may be outstanding at the same

time; *provided* that there shall not at any time be more than a total of 3 LIBOR Borrowings outstanding.

(d) [Intentionally Omitted]

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. *Requests for Borrowings.* To request a Borrowing, the Borrower shall notify the Administrative Agent of such request (a) in the case of a LIBOR Borrowing, not later than 1:00 p.m., Local Time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 1:00 p.m., Local Time, on the date of the proposed Borrowing. Each such Borrowing Request [or 2016 New Loan Borrowing Request](#) shall be irrevocable and shall be made by hand delivery or teletype to the Administrative Agent of a duly completed and executed Borrowing Request in the form of Exhibit C (or by telephone notification, confirmed promptly by hand delivery or teletype to the Administrative Agent of a duly completed and executed Borrowing Request in the form of Exhibit C) [or, in the case of a Borrowing made on or after the Amendment No. 1 Effective Date, a 2016 New Loan Borrowing Request.](#)

Each such telephonic and written Borrowing Request shall specify the following information in compliance with Sections 2.01 and 2.02:

- (i) the aggregate principal amount of such Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day; (iii) the Type of such Borrowing;

(iv) in the case of a LIBOR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “**Interest Period**” and

(v) the location and number of the Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.08.

Any Borrowing Request that shall fail to specify any of the information required by the preceding provisions of this paragraph may be rejected by the Administrative Agent if such failure is not corrected promptly after the Administrative Agent shall give written or telephonic notice thereof to the Borrower and, if so rejected, will be of no force or effect. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender that will make a Loan

reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) Mandatory Termination or Reduction of Commitments.

(i) In the event that the Borrower or any other member of the Consolidated Group actually receives any Net Cash Proceeds arising from any Permitted Securitization Transactions, Debt Issuance or Asset Sale, in each case during the period commencing on the Effective Date and ending on the last day of the Availability Period, then the Commitments then outstanding shall be automatically reduced in an amount equal to 100% of such Net Cash Proceeds (minus the amount of such Net Cash Proceeds required to be applied to prepay Loans outstanding at such time in accordance with Section 2.12(c)) on the day of receipt by the Borrower or, as applicable, any other member of the Consolidated Group of such Net Cash Proceeds. The Borrower shall promptly notify the Administrative Agent of the receipt by the Borrower, or, as applicable, any other member of the Consolidated Group, of such Net Cash Proceeds from any Debt Issuance or Asset Sale, and such notice shall be accompanied by a reasonably detailed calculation of the Net Cash Proceeds received.

(ii) All reductions of the Commitments pursuant to Section 2.10(d)(i) shall be made ratably to the Lenders' individual Commitments. For the avoidance of doubt, Net Cash Proceeds shall first be applied to the prepayment of Loans outstanding at any time in accordance with Section 2.12(c) and then to the reduction of Commitments in accordance with 2.10(d)(i).

(e) (i) The Company may, by delivery of a written notice (a "**Maturity Date Extension Notice**") to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) not less than ~~30~~15 days and not more than 60 days prior to the Maturity Date, require the Lenders to extend the Maturity Date for ~~an~~ additional ~~period~~periods of three months (~~the~~an "**Extended Maturity Date**"); *provided* that there shall be no more than ~~one extension~~two extensions of the Maturity Date pursuant to this Section. Upon the delivery of the Maturity Date Extension Notice to the Lenders, (~~the date of such delivery, the~~ and as of the applicable Original Maturity Date, (the "First Extension Date" and in case of a second extension of the Maturity Date, the "Second Extension Date", each an "Extension Date") the Maturity Date shall be extended to the applicable Extended Maturity Date.

(ii) Notwithstanding the foregoing provisions of this Section 2.10, no extension of the Maturity Date shall be effective with respect to any Lender unless, (A) on and as of ~~the~~such Extension Date in respect of such extension, no Event of Default shall have occurred and be continuing and (B) on or prior to the applicable Original Maturity Date, the Company shall have paid the extension fees required under Section 2.13(c).

the period from and including the Effective Date to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the ~~date hereof~~ Effective Date. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Upfront Fees. The Company agrees to pay to the Administrative Agent, for the account of each Lender, an upfront fee at the rate set forth in the Fee Letter on the aggregate amount of the Commitments in effect on the Effective Date, which fee shall be earned and payable on the Effective Date.

(c) Extension Fees. In the event that ~~the~~an Extension Date occurs, the Company agrees to pay to the Administrative Agent, for the account of each Lender, an extension fee at the rate set forth in the Fee Letter on the aggregate outstanding principal amount of the Loans of such Lender on the applicable Original Maturity Date, which fee shall be earned and payable on ~~the~~such Original Maturity Date.

(d) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(e) All fees payable hereunder shall be paid in U.S. Dollars on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of commitment fees, upfront fees and Extension Fee, to the applicable Lenders. Fees paid shall not be refundable under any circumstances.

Section 2.14. *Interest.* (a) *The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.*

(b) The Loans comprising each LIBOR Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(g) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to paragraph (f) of this Section shall be payable on demand, (ii) in the event of any repayment or

the Company, solely in his capacity as such and not individually, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(f) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder.

(g) [Intentionally Omitted].

(h) To the extent requested by not later than five Business Days prior to the Effective Date, the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including information required under the Act.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. The obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) at or prior to 3:00 p.m., New York City time, on December 8, 2015 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02. *Each Credit Event*. The obligation of each Lender to make a Loan during the Availability Period on the occasion of any Borrowing ~~is~~and the obligation of the 2016 New Lender to make the 2016 New Loan during the 2016 Availability Period is, in each case, subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Company set forth in this Agreement shall be true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects) on and as of the date of such Borrowing, except to the extent that any such representations and warranties expressly relate to an earlier date in which case any such representations and warranties shall be true and correct (or, in the case of any such representation or warranty not qualified as to materiality, true and correct in all material respects) at and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing no Default shall have occurred and be continuing and, solely in the event that any amounts remain outstanding or any commitments remain in place under the Existing Credit Agreement, no “Default” or “Event of Default” shall have occurred and be continuing under the Existing Credit Agreement.

(c) The initial Borrowing under the facility (the “**Initial Borrowing**”) shall be made not later than 10 Business Days following the Effective Date (such date, the “**Initial Borrowing End Date**”).

(d) Solely with respect to the 2016 New Loan, the Administrative Agent shall have received a duly completed and executed 2016 New Loan Borrowing Request.

(e) Solely with respect to the 2016 New Loan, the Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Guarantors (such evidence of good standing to be limited to the good standing of each Guarantor in such Guarantor’s jurisdiction of organization), the authorization of the Transactions and any other legal matters relating to the Guarantors, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent, the 2016 New Lender and their respective counsel.

Each Borrowing shall be deemed to constitute a representation and warranty by the Company on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE 5 AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Company covenants and agrees with the Lenders that:

Section 5.01. *Financial Statements and Other Information.* The Company will furnish to the Administrative Agent (with sufficient copies for each Lender):

(a) within 90 days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of income, cash flows and shareholders’ equity and comprehensive income as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of recognized national standing (without a qualification, exception or explanatory paragraph relating to the Company’s ability to continue as a going concern and without any qualification, exception or explanatory paragraph as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP (identifying in an explanatory paragraph any material accounting changes); *provided* that delivery of the Company’s form 10-K containing the information required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, including the financial statements described above reported on by KPMG LLP or other independent public

accountants of recognized national standing (without a qualification, exception or explanatory paragraph relating to the Company's ability to continue as a going concern and without any qualification, exception or explanatory paragraph as to the scope of such audit), shall be deemed to satisfy the requirements of this clause (a);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, its condensed consolidated balance sheet and related statements of income, cash flows and shareholders' equity and comprehensive income as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; *provided* that delivery of the Company's Form 10Q, containing the information

required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, together with the certificate of a Financial Officer as described above, shall be deemed to satisfy the requirements of this clause (b);

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.01, 6.09 and 6.10 (including any adjustments necessary to reflect the existence of any Excluded Subsidiaries) and (iii) stating whether any material change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after any certificate is delivered to the "Administrative Agent" under the Existing Credit Agreement pursuant to Section 5.01(d) of such Existing Credit Agreement (as in effect on the ~~date hereof~~ Effective Date), a copy of such certificate;

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative

Section 6.01. *Subsidiary Indebtedness.* The Company will not permit the aggregate principal amount of Indebtedness of its Domestic Subsidiaries (excluding (a) any Indebtedness of a Domestic Subsidiary owed to the Company or another Domestic Subsidiary, (b) any Indebtedness of a Guarantor, so long as its Guarantee under the Guarantee Agreement remains in effect, (c) any Indebtedness of a Securitization Subsidiary that is included in calculating the Securitization Amount, (d) any Guarantee by a Domestic Subsidiary of Indebtedness of a Foreign Subsidiary, if the assets of such Domestic Subsidiary consist solely of investments in Foreign Subsidiaries and a de minimis amount of other assets and (e) Indebtedness existing as of the Effective Date and set forth on Schedule 6.01, but including (except as provided in clause (d) above) any Guarantee by a Domestic Subsidiary (other than a Guarantor) of Indebtedness of any other Person, including the Company, a Guarantor or a Foreign Subsidiary) at any time to exceed US\$200,000,000.

Section 6.02. *Liens.* The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Company or any Domestic Subsidiary existing on the ~~date hereof~~ Effective Date; *provided* that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the ~~date hereof~~ Effective Date and refinancings, extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof; *provided further* that, any such Lien securing obligations in excess of US\$10,000,000 on the ~~date hereof~~ Effective Date shall not be permitted under this clause (b) unless such Lien is set forth in Schedule 6.02;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the ~~date hereof~~ Effective Date prior to the time such Person becomes a Subsidiary; *provided* that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets (including equipment) hereafter acquired, constructed or improved by the Company or any Subsidiary; *provided* that (i) such security interests secure Indebtedness incurred to finance the acquisition, construction or improvement of such fixed or capital assets, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such

provided that the foregoing shall not be construed to restrict the conduct of businesses that are limited to serving the Company and its Subsidiaries and their respective franchisees and licensees, such as the creation of Subsidiaries to conduct insurance or inventory purchasing activities for the Company and its Subsidiaries and their respective franchisees and licensees.

Section 6.04. *OFAC/FCPA*. The Borrower will not directly, or, to the Borrower's knowledge, indirectly use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (i) in any manner that would result in a violation of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control or the U.S. State Department, the United Nations Security Council, the European Union, Her Majesty's Treasury by any Person (including any Person participating in the Loans, whether as lender, underwriter, advisor, investor, or otherwise) or (ii) in violation of the U.S. Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption law.

Section 6.05. *Hedging Agreements*. The Company will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement or commodity price protection agreement or other commodity price hedging arrangement, other than Hedging Agreements, commodity price protection agreements and other commodity price hedging arrangements entered into in the ordinary course of business to hedge or mitigate risks to which the Company or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

Section 6.06. *[Intentionally omitted]*.

Section 6.07. *Transactions with Affiliates*. The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other material transactions with, any of its then Affiliates, except (a) in the ordinary course of business for consideration and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties (including pursuant to joint venture agreements entered into after the Effective Date with third parties that are not Affiliates), (b) transactions between or among the Company and its wholly owned Subsidiaries or between or among wholly owned Subsidiaries, in each case not involving any other Affiliate, (c) the Company may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock, (d) the Company and its Subsidiaries may make Equity Payments in respect of any of their respective Equity Interests, or pursuant to or in accordance with stock option plans or employee benefit plans for management or employees of the Company and its Subsidiaries and (e) the foregoing shall not prevent the Company or any Subsidiary from performing its obligations under agreements existing on the ~~date hereof~~ [Effective Date](#) between the Company or any of its Subsidiaries and any joint venture of the Company or any of its Subsidiaries in accordance with the terms of such agreements as in effect on the ~~date~~

~~hereof~~ Effective Date or pursuant to amendments or modifications to any such agreements that are not adverse to the interests of the Lenders.

Section 6.08. *Issuances of Equity Interests by Principal Domestic Subsidiaries.* The Company will not permit any Principal Domestic Subsidiary to issue any additional Equity Interest in such Principal Domestic Subsidiary other than (a) to the Company, (b) to another Subsidiary in which the Company owns, directly or indirectly, a percentage interest not less than the percentage interest owned in the Principal Domestic Subsidiary issuing such Equity Interest, (c) any such issuance that does not reduce the Company's aggregate direct and indirect percentage ownership interest in such Principal Domestic Subsidiary and (d) issuances of Equity Interests after the ~~date hereof~~ Effective Date which are not otherwise permitted by the foregoing clauses of this Section, provided that the aggregate consideration received therefor (net of all consideration paid in connection with all repurchases or redemptions thereof) does not exceed US\$100,000,000 during the term of this Agreement.

Section 6.09. *Leverage Ratio.* The Company will not permit the Leverage Ratio as of any date to exceed 2.75 to 1.0.

Section 6.10. *Fixed Charge Coverage Ratio.* The Company will not permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters ending after the Effective Date to be less than 1.40 to 1.00.

Section 6.11. *Sale and Lease-Back Transactions.* The Company will not, and will not permit any of its Domestic Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a "**Sale and Lease-Back Transaction**"), except (a) any Sale and Lease-Back Transaction consummated within 90 days after the purchase by the Company or a Domestic Subsidiary of the property or assets (other than assets acquired pursuant to any Permitted Acquisition) which are the subject of such Sale and Lease-Back Transaction, (b) any Sale and Lease-Back Transaction between the Company and any Subsidiary or any Subsidiary and any other Subsidiary and (c) other Sale and Lease-Back Transactions; provided that any Sale and Lease-Back Transaction permitted by clause (c) above shall be subject to compliance with the limitation set forth in the proviso to clause (i) of Section 6.02.

Section 6.12. *Equity Payments.* The Borrower will not, and will not permit any of its Subsidiaries to declare or make, or agree to pay or make, directly or indirectly, any Equity Payment, except the Borrower and its Subsidiaries may make Equity Payments (i) in the form of dividends or other distributions made to the Borrower's or its Subsidiary's equity holders, which in the case of such Equity Payments by the Borrower shall be made ratably to the Borrower's equity holders and shall be consistent with past practice and in the case of such Equity Payments by a Subsidiary shall be made ratably (or on a greater than ratably basis to the Borrower or any Subsidiary) to

and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date.

Each party hereto agrees and acknowledges that the Syndication Agents, the Documentation ~~Agents~~Agent and the Lead Arrangers do not have any duties or responsibilities in their capacities as Syndication Agents, Documentation ~~Agents~~Agent and Lead Arrangers, respectively, hereunder or under any other Loan Document and shall not have, or become subject to, any liability hereunder in such capacities, but all such Persons shall have the benefit of the indemnities provided for hereunder.

The provisions of this Article are solely for the benefit of the Administrative Agent, the Lead Arrangers, the Syndication Agents, the Documentation ~~Agents~~Agent and the Lenders, and none of the Company or any other Loan Party shall have any rights as a third party beneficiary of any such provisions other than in respect of the consent rights set forth above relating to a successor Administrative Agent.

ARTICLE 9
[INTENTIONALLY OMITTED]

ARTICLE 10
MISCELLANEOUS

Section 10.01. *Notices.* (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Company, to it at Yum! Brands, Inc., P.O. Box 32070, Louisville, KY 40232, (or, in the case of overnight packages, 1441 Gardiner Lane, Louisville, KY 40213-1963), Attention of William L. Gathof, Vice President and Treasurer (Telecopy No. (502) 874-8948);

(ii) if to the Administrative Agent or to GS Bank, in its capacity as a Lender, as follows: Goldman Sachs Bank USA c/o Goldman, Sachs & Co. 30 Hudson Street, 36th Floor Jersey City, NJ 07302, Attention: SBD Operations (Email: gsd.link@gs.com), with a copy to: Goldman Sachs Bank USA 200 West Street New York, New York 10282-2198, Attention: Aaron Peyton; and

(iii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent and the Company; *provided* that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative

modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender; *provided further* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent. Notwithstanding the foregoing, no consent with respect to any amendment, waiver or other modification of this Agreement or any other Loan Document shall be required of any Defaulting Lender, except with respect to any amendment, waiver or other modification referred to in clause (i), (ii) or (iii) of the first proviso of this paragraph and then only in the event such Defaulting Lender shall be affected by such amendment, waiver or other modification.

(c) If, in connection with any proposed waiver, amendment or modification of this Agreement or any other Loan Document or any provision hereof or thereof, the consent of one or more of the Lenders whose consent is required is not obtained, then the Company shall have the right to replace each such non-consenting Lender with one or more assignees pursuant to Section 2.20(b); *provided* that at the time of such replacement, each such assignee consents to the proposed waiver, amendment or modification.

Section 10.03. *Expenses; Indemnity; Damage Waiver.* (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Lead Arrangers, the Syndication Agents, the Documentation ~~Agents~~ Agent and their respective Affiliates, including the reasonable fees, charges and disbursements of Davis Polk & Wardwell LLP, counsel for the Administrative Agent and the Lead Arrangers, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Company shall indemnify the Administrative Agent, each Syndication Agent, each Documentation Agent, each Lead Arranger and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom,

SCHEDULE 2.01 To Credit Agreement

COMMITMENTS

Lender	Commitment
Citibank, N.A.	\$500,000,000
Goldman Sachs Bank USA	\$500,000,000
JPMorgan Chase Bank, N.A.	\$500,000,000
Wells Fargo Bank, National Association	\$500,000,000
Total	1,500,000,000 2,000,000,000

Acknowledgement of Independent Registered Public Accounting Firm

The Board of Directors

YUM! Brands, Inc.:

We hereby acknowledge our awareness of the use of our report dated April 26, 2016, included within the Quarterly Report on Form 10-Q of YUM! Brands, Inc. for the quarter ended March 19, 2016, and incorporated by reference in the following Registration Statements:

Description	Registration Statement Number
Form S-3	
YUM! Direct Stock Purchase Program	333-46242
Debt Securities	333-188216
Form S-8	
Restaurant Deferred Compensation Plan	333-36877, 333-32050
Executive Income Deferral Program	333-36955
SharePower Stock Option Plan	333-36961
YUM! Brands 401(k) Plan	333-36893, 333-32048, 333-109300
YUM! Brands, Inc. Restaurant General Manager Stock Option Plan	333-64547
YUM! Brands, Inc. Long-Term Incentive Plan	333-32052, 333-109299, 333-170929

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

/s/ KPMG LLP
Louisville, Kentucky
April 26, 2016

CERTIFICATION

I, Greg Creed, certify that:

1. I have reviewed this report on Form 10-Q of YUM! Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2016

/s/ Greg Creed

Chief Executive Officer

CERTIFICATION

I, David E. Russell, certify that:

1. I have reviewed this report on Form 10-Q of YUM! Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2016

/s/ David E. Russell

Interim Chief Financial Officer, Vice President, Finance and Corporate
Controller

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YUM! Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 19, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Greg Creed, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2016

/s/ Greg Creed

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YUM! Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 19, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, David E. Russell, Interim Chief Financial Officer, Vice President, Finance and Corporate Controller of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2016

/s/ David E. Russell

Interim Chief Financial Officer, Vice President, Finance and Corporate
Controller

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

