
**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 23, 2013

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. (Check one): 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 23, 2013 was 449,837,985 shares.

YUM! BRANDS, INC.

INDEX

	<u>Page No.</u>
Part I. Financial Information	
Item 1 - Financial Statements	
Condensed Consolidated Statements of Income - Quarters ended March 23, 2013 and March 24, 2012	3
Condensed Consolidated Statements of Comprehensive Income - Quarters ended March 23, 2013 and March 24, 2012	4
Condensed Consolidated Statements of Cash Flows – Quarters ended March 23, 2013 and March 24, 2012	5
Condensed Consolidated Balance Sheets – March 23, 2013 and December 29, 2012	6
Notes to Condensed Consolidated Financial Statements	7
Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	37
Item 4 – Controls and Procedures	37
Report of Independent Registered Public Accounting Firm	38
Part II. Other Information and Signatures	
Item 1 – Legal Proceedings	39
Item 1A – Risk Factors	39
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 6 – Exhibits	40
Signatures	41

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	
	3/23/2013	3/24/2012
Revenues		
Company sales	\$ 2,099	\$ 2,344
Franchise and license fees and income	436	399
Total revenues	<u>2,535</u>	<u>2,743</u>
Costs and Expenses, Net		
Company restaurant expenses		
Food and paper	680	767
Payroll and employee benefits	490	513
Occupancy and other operating expenses	596	624
Company restaurant expenses	<u>1,766</u>	<u>1,904</u>
General and administrative expenses	273	272
Franchise and license expenses	30	26
Closures and impairment (income) expenses	4	1
Refranchising (gain) loss	(17)	(26)
Other (income) expense	(8)	(79)
Total costs and expenses, net	<u>2,048</u>	<u>2,098</u>
Operating Profit	<u>487</u>	<u>645</u>
Interest expense, net	31	37
Income Before Income Taxes	<u>456</u>	<u>608</u>
Income tax provision	120	147
Net Income – including noncontrolling interests	<u>336</u>	<u>461</u>
Net Income (loss) – noncontrolling interests	(1)	3
Net Income – YUM! Brands, Inc.	<u>\$ 337</u>	<u>\$ 458</u>
Basic Earnings Per Common Share	<u>\$ 0.74</u>	<u>\$ 0.99</u>
Diluted Earnings Per Common Share	<u>\$ 0.72</u>	<u>\$ 0.96</u>
Dividends Declared Per Common Share	<u>\$ 0.335</u>	<u>\$ 0.285</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	
	3/23/2013	3/24/2012
Net Income - including noncontrolling interests	\$ 336	\$ 461
Other comprehensive income, net of tax		
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature	(5)	13
Tax (expense) benefit	7	(2)
Reclassification of currency translation adjustments into Net Income	—	3
Tax expense (benefit)	—	—
Net unrealized losses arising during the year on pension and post-retirement plans	(8)	—
Tax (expense) benefit	1	—
Reclassification of pension and post-retirement losses to Net Income	25	15
Tax expense (benefit)	(9)	(6)
Net unrealized gain (loss) on derivative instruments	1	(1)
Tax (expense) benefit	—	—
Other comprehensive income, net of tax	12	22
Comprehensive Income - including noncontrolling interests	348	483
Comprehensive Income (loss) - noncontrolling interests	(1)	3
Comprehensive Income - YUM! Brands, Inc.	\$ 349	\$ 480

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/23/2013	3/24/2012
Cash Flows – Operating Activities		
Net Income – including noncontrolling interests	\$ 336	\$ 461
Depreciation and amortization	130	127
Closures and impairment (income) expenses	4	1
Refranchising (gain) loss	(17)	(26)
Contributions to defined benefit pension plans	(1)	(8)
Gain upon acquisition of Little Sheep	—	(74)
Deferred income taxes	(6)	(4)
Equity income from investments in unconsolidated affiliates	(7)	(13)
Excess tax benefits from share-based compensation	(11)	(28)
Share-based compensation expense	9	11
Changes in accounts and notes receivable	9	29
Changes in inventories	26	27
Changes in prepaid expenses and other current assets	(8)	(15)
Changes in accounts payable and other current liabilities	(81)	(124)
Changes in income taxes payable	18	70
Other, net	—	39
Net Cash Provided by Operating Activities	<u>401</u>	<u>473</u>
Cash Flows – Investing Activities		
Capital spending	(237)	(173)
Proceeds from refranchising of restaurants	81	102
Acquisitions	—	(540)
Changes in restricted cash	—	300
Increase in short-term investments	—	(79)
Other, net	3	(1)
Net Cash Used in Investing Activities	<u>(153)</u>	<u>(391)</u>
Cash Flows – Financing Activities		
Repayments of long-term debt	(1)	(3)
Short-term borrowings, more than three months, net	9	—
Repurchase shares of Common Stock	(98)	(78)
Excess tax benefits from share-based compensation	11	28
Employee stock option proceeds	5	16
Dividends paid on Common Stock	(151)	(131)
Other, net	(34)	(20)
Net Cash Used in Financing Activities	<u>(259)</u>	<u>(188)</u>
Effect of Exchange Rates on Cash and Cash Equivalents	<u>(3)</u>	<u>7</u>
Net Decrease in Cash and Cash Equivalents	<u>(14)</u>	<u>(99)</u>
Cash and Cash Equivalents - Beginning of Period	<u>776</u>	<u>1,198</u>
Cash and Cash Equivalents - End of Period	<u>\$ 762</u>	<u>\$ 1,099</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	(Unaudited)	
	3/23/2013	12/29/2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 762	\$ 776
Accounts and notes receivable, net	368	301
Inventories	288	313
Prepaid expenses and other current assets	227	272
Deferred income taxes	133	127
Advertising cooperative assets, restricted	120	136
Total Current Assets	<u>1,898</u>	<u>1,925</u>
Property, plant and equipment, net	4,258	4,250
Goodwill	1,026	1,034
Intangible assets, net	693	690
Investments in unconsolidated affiliates	31	72
Other assets	571	575
Deferred income taxes	468	467
Total Assets	<u>\$ 8,945</u>	<u>\$ 9,013</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,866	\$ 2,036
Income taxes payable	82	97
Short-term borrowings	21	10
Advertising cooperative liabilities	120	136
Total Current Liabilities	<u>2,089</u>	<u>2,279</u>
Long-term debt	2,924	2,932
Other liabilities and deferred credits	1,515	1,490
Total Liabilities	<u>6,528</u>	<u>6,701</u>
Redeemable noncontrolling interest	<u>59</u>	<u>59</u>
Shareholders' Equity		
Common Stock, no par value, 750 shares authorized; 450 and 451 shares issued in 2013 and 2012, respectively	—	—
Retained earnings	2,413	2,286
Accumulated other comprehensive income (loss)	(120)	(132)
Total Shareholders' Equity – YUM! Brands, Inc.	<u>2,293</u>	<u>2,154</u>
Noncontrolling interests	65	99
Total Shareholders' Equity	<u>2,358</u>	<u>2,253</u>
Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity	<u>\$ 8,945</u>	<u>\$ 9,013</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 29, 2012 (“2012 Form 10-K”). Except as disclosed herein, there has been no material change in the information disclosed in our Consolidated Financial Statements included in the 2012 Form 10-K.

YUM! Brands, Inc. and Subsidiaries (collectively referred to herein as “YUM” or the “Company”) comprises 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’s business consists of four reporting segments: YUM Restaurants China (“China” or “China Division”), YUM Restaurants International (“YRI” or “International Division”), United States (“U.S.” or “U.S. Division”) and YUM Restaurants India (“India” or “India Division”). The China Division includes mainland China, and the India Division includes India, Bangladesh, Mauritius, Nepal and Sri Lanka. YRI includes the remainder of our international operations.

Our fiscal year ends on the last Saturday in December and, as a result, a 53rd week is added every five or six years. The first three quarters of each fiscal year consist of 12 weeks and the fourth quarter consists of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. Our subsidiaries operate on similar fiscal calendars except that China, India and certain other international subsidiaries operate on a monthly calendar, and thus never have a 53rd week, with two months in the first quarter, three months in the second and third quarters and four months in the fourth quarter. YRI closes one period earlier to facilitate consolidated reporting. During the quarter ended March 23, 2013 we eliminated the period lag that we previously used to facilitate the reporting of our India Division’s results. Accordingly, the India Division results for the first quarter of 2013 include the months of January and February 2013. Due to the immateriality of the India Division’s results we did not restate the prior year operating results for the elimination of this period lag and therefore the results for the first quarter of 2012 continue to include the months of December 2011 and January 2012.

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.

In our opinion, the accompanying Financial Statements include all normal and recurring adjustments considered necessary to present fairly, when read in conjunction with our 2012 Form 10-K, our financial position as of March 23, 2013, and the results of our operations, comprehensive income and cash flows for the quarters ended March 23, 2013 and March 24, 2012. 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.

We have reclassified certain items in the Financial Statements for the prior period to be comparable with the classification for the quarter ended March 23, 2013. These reclassifications had no effect on previously reported Net Income - YUM! Brands, Inc.

Note 2 - Earnings Per Common Share (“EPS”)

	Quarter ended	
	3/23/2013	3/24/2012
Net Income – YUM! Brands, Inc.	\$ 337	\$ 458
Weighted-average common shares outstanding (for basic calculation)	455	465
Effect of dilutive share-based employee compensation	10	13
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	465	478
Basic EPS	\$ 0.74	\$ 0.99
Diluted EPS	\$ 0.72	\$ 0.96
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation ^(a)	4.5	1.9

(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 23, 2013 and March 24, 2012, as indicated below. All amounts exclude applicable transaction fees.

Authorization Date	Authorization Expiration Date	Shares Repurchased (thousands)		Dollar Value of Shares Repurchased		Remaining Dollar Value of Shares that may be Repurchased
		2013	2012	2013	2012	2013
January 2011	June 2012	—	1,219	\$ —	\$ 78	\$ —
November 2012	May 2014	1,198	—	78	—	875
Total		1,198 ^(a)	1,219	\$ 78 ^(a)	\$ 78	\$ 875

(a) Amount excludes the effect of \$20 million in share repurchases (0.3 million shares) with trade dates prior to the 2012 fiscal year end but cash settlement dates subsequent to the 2012 fiscal year end.

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

	Translation Adjustments and Gains (Losses) From Intra- Entity Transactions of a Long-Term Nature	Pension and Post- Retirement Benefit Plan Losses (a)	Net Unrealized Loss on Derivative Instruments	Total
Balance at December 29, 2012, net of tax	\$ 166	\$ (286)	\$ (12)	\$ (132)
Amounts classified into OCI, net of tax	2	(7)	1	(4)
Amounts reclassified from accumulated OCI, net of tax	—	16	—	16
OCI, net of tax	2	9	1	12
Balance at March 23, 2013, net of tax	<u>\$ 168</u>	<u>\$ (277)</u>	<u>\$ (11)</u>	<u>\$ (120)</u>

(a) Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses include amortization of net losses of \$15 million, settlement charges of \$10 million and the related income tax benefit of \$9 million. See Note 10 Pension Benefits for further information.

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

Little Sheep Acquisition

On February 1, 2012 we acquired an additional 66% interest in Little Sheep Group Limited ("Little Sheep") for \$540 million, net of cash acquired of \$44 million, increasing our ownership to 93%. The acquisition was driven by our strategy to build leading brands across China in every significant category. Prior to our acquisition of this additional interest, our 27% interest in Little Sheep was accounted for under the equity method of accounting. As a result of the acquisition we obtained voting control of Little Sheep, and thus we began consolidating Little Sheep upon acquisition. As required by GAAP, we remeasured our previously held 27% ownership in Little Sheep, which had a recorded value of \$107 million at the date of acquisition, at fair value based on Little Sheep's traded share price immediately prior to our offer to purchase the business and recognized a non-cash gain of \$74 million. This gain, which resulted in no related income tax expense, was recorded in Other (income) expense on our Condensed Consolidated Statement of Income during the quarter ended March 24, 2012 and was not allocated to any segment for performance reporting purposes.

Under the equity method of accounting, we previously reported our 27% share of the net income of Little Sheep as Other (income) expense in the Condensed Consolidated Statements of Income. Since we began consolidating, we have reported the results of operations for Little Sheep in the appropriate line items of our Condensed Consolidated Statement of Income. We no longer report Other (income) expense as we did under the equity method of accounting. Net income attributable to our partner's ownership percentage is recorded as Net Income (loss) - noncontrolling interest. Little Sheep reports on a one month lag, and as a result, their consolidated results are included in the China Division from the beginning of the quarter ended June 16, 2012. The consolidation of Little Sheep increased China Division revenues and Operating Profit each by 4% for the quarter ended March 23, 2013.

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	
	3/23/2013	3/24/2012
China	\$ —	\$ (2)
YRI ^(a)	—	21
U.S. ^(b)	(17)	(45)
India	—	—
Worldwide	\$ (17)	\$ (26)

- (a) During the fourth quarter of 2012, we refranchised our remaining 331 Company-owned Pizza Hut dine-in restaurants in the United Kingdom ("UK"). During the quarter ended March 24, 2012 we recorded a loss of \$21 million and a \$4 million related income tax benefit due to the then planned refranchising of these restaurants.
- (b) In the quarters ended March 23, 2013 and March 24, 2012, U.S. Refranchising (gain) loss primarily relates to gains on the sales of Taco Bell restaurants.

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment are presented below.

	Quarter ended March 23, 2013				
	China	YRI	U.S.	India	Worldwide
Store closure (income) costs ^(a)	\$ (1)	\$ —	\$ 1	\$ —	\$ —
Store impairment charges	3	—	—	1	4
Closure and impairment (income) expenses	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 4</u>

	Quarter ended March 24, 2012				
	China	YRI	U.S.	India	Worldwide
Store closure (income) costs ^(a)	\$ —	\$ —	\$ (1)	\$ —	\$ (1)
Store impairment charges	1	1	—	—	2
Closure and impairment (income) expenses	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ 1</u>

- (a) Store closure (income) costs include the net gain or loss on sales of real estate on which we formerly operated a Company restaurant that was closed, lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves and other facility-related expenses from previously closed stores.

Note 5 - Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-2), that requires an organization to present the effects on the line items of net income of significant amounts reclassified out of Accumulated OCI, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-2 is effective for fiscal years beginning after December 15, 2012. All necessary disclosures have been complied with in these Financial Statements.

Note 6 - Other (Income) Expense

	Quarter ended	
	3/23/2013	3/24/2012
Equity income from investments in unconsolidated affiliates	\$ (7)	\$ (13)
Gain upon acquisition of Little Sheep	—	(74)
Foreign exchange net (gain) loss and other ^(a)	(1)	8
Other (income) expense	<u>\$ (8)</u>	<u>\$ (79)</u>

- (a) The quarter ended March 24, 2012 includes \$6 million of deal costs related to the acquisition of Little Sheep that were allocated to the China Division for performance reporting purposes.

Note 7 - Supplemental Balance Sheet Information

Receivables

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.

	3/23/2013	12/29/2012
Accounts and notes receivable	\$ 380	\$ 313
Allowance for doubtful accounts	(12)	(12)
Accounts and notes receivable, net	<u>\$ 368</u>	<u>\$ 301</u>

Property, Plant and Equipment

	3/23/2013	12/29/2012
Property, plant and equipment, gross	\$ 7,428	\$ 7,389
Accumulated depreciation and amortization	(3,170)	(3,139)
Property, plant and equipment, net	<u>\$ 4,258</u>	<u>\$ 4,250</u>

Assets held for sale at March 23, 2013 and December 29, 2012 total \$17 million and \$56 million, respectively, and are included in Prepaid expenses and other current assets in our Condensed Consolidated Balance Sheets.

Noncontrolling Interests

A reconciliation of the beginning and ending carrying amount of the equity attributable to noncontrolling interests is as follows:

Noncontrolling interests as of December 29, 2012	\$ 99
Net Income (loss) – noncontrolling interests	(1)
Acquisition of Little Sheep store-level non-controlling interests	(15)
Dividends declared	(18)
Noncontrolling interests as of March 23, 2013	<u>\$ 65</u>

Note 8 - Income Taxes

	Quarter ended	
	3/23/2013	3/24/2012
Income taxes	\$ 120	\$ 147
Effective tax rate	26.4%	24.1%

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

Our effective tax rate for the quarter ended March 23, 2013 was higher than the prior year primarily due to lapping the impact of the \$74 million gain recognized upon our acquisition of additional interest in Little Sheep, which resulted in no related tax expense.

On June 23, 2010, the Company received a Revenue Agent Report (RAR) from the Internal Revenue Service (the "IRS") relating to its examination of our U.S. federal income tax returns for fiscal years 2004 through 2006. The IRS has proposed an adjustment to increase the taxable value of rights to intangibles used outside the U.S. that YUM transferred to certain of its foreign subsidiaries. The proposed adjustment would result in approximately \$700 million of additional taxes plus net interest to date of approximately \$230 million for fiscal years 2004-2006. On January 9, 2013, the Company received an RAR from the IRS for

fiscal years 2007 and 2008. As expected, the IRS proposed an adjustment similar to their proposal for 2004-2006 that would result in approximately \$270 million of additional taxes plus net interest to date of approximately \$35 million for fiscal years 2007 and 2008. Furthermore, the Company expects the IRS to make similar claims for years subsequent to fiscal 2008. The potential additional taxes for 2009 through 2012, computed on a similar basis to the 2004-2008 additional taxes, would be approximately \$130 million plus net interest to date of approximately \$5 million.

We believe that the Company has properly reported taxable income and paid taxes in accordance with applicable laws and that the proposed adjustments are inconsistent with applicable income tax laws, Treasury Regulations and relevant case law. We intend to defend our position vigorously and have filed a protest with the IRS. As the final resolution of the proposed adjustments remains uncertain, the Company will continue to provide for its position in this matter based on the tax benefit that we believe is the largest amount that is more likely than not to be realized upon settlement of this issue. There can be no assurance that payments due upon final resolution of this issue will not exceed our currently recorded reserve and such payments could have a material, adverse effect on our financial position. Additionally, if increases to our reserves are deemed necessary due to future developments related to this issue, such increases could have a material, adverse effect on our results of operations as they are recorded. The Company does not expect resolution of this matter within twelve months and cannot predict with certainty the timing of such resolution.

Note 9 - Reportable Operating Segments

We identify our operating segments based on management responsibility. The China Division includes mainland China and the India Division includes India, Bangladesh, Mauritius, Nepal and Sri Lanka. YRI includes the remainder of our international operations. We consider our KFC-U.S., Pizza Hut-U.S. and Taco Bell-U.S. operating segments to be similar and therefore have aggregated them into a single reportable operating segment.

The following tables summarize Revenues and Operating Profit for each of our reportable operating segments:

Revenues	Quarter ended	
	3/23/2013	3/24/2012
China	\$ 1,151	\$ 1,218
YRI	669	708
U.S.	695	800
India	20	17
	<u>\$ 2,535</u>	<u>\$ 2,743</u>

Operating Profit (loss)	Quarter ended	
	3/23/2013	3/24/2012
China ^(a)	\$ 154	\$ 256
YRI	199	168
United States	165	158
India	(2)	1
Unallocated Occupancy and other ^{(b)(c)}	—	4
Unallocated and General and administrative expenses ^(c)	(46)	(42)
Unallocated Other income (expense) ^{(c)(e)}	—	74
Unallocated Refranchising gain (loss) ^{(d)(e)}	17	26
Operating Profit	<u>\$ 487</u>	<u>\$ 645</u>
Interest expense, net	(31)	(37)
Income Before Income Taxes	<u>\$ 456</u>	<u>\$ 608</u>

(a) Includes equity income from investments in unconsolidated affiliates of \$7 million and \$13 million for the quarters ended March 23, 2013 and March 24, 2012, respectively.

(b) Amounts represent depreciation reduction recognized as a result of our decisions to refranchise Company operated Pizza Hut dine-in restaurants in the UK (see Note 4) and Company operated KFC restaurants in the U.S.

- (c) Represents gain upon acquisition of Little Sheep of \$74 million for the quarter ended March 24, 2012. See Note 4.
- (d) Includes U.S. refranchising gains of \$17 million and \$45 million for the quarters ended March 23, 2013 and March 24, 2012, respectively, and a loss of \$21 million related to the planned refranchising of our Pizza Hut UK dine-in business for the quarter ended March 24, 2012. See Note 4.
- (e) Amounts have not been allocated to any segment for performance reporting purposes.

Note 10 - Pension Benefits

We sponsor 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 (the "Plan"), is funded while benefits from the other U.S. plan are paid by the Company as incurred. During 2001, the plans covering our U.S. salaried employees were amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in those plans. We also sponsor various defined benefit pension plans covering certain of our non-U.S. employees, the most significant of which are in the UK. During the quarter ended March 23, 2013, one of our UK plans was frozen such that existing participants can no longer earn future service credits. Our other UK plan was previously frozen to future service credits in 2011.

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

	U.S. Pension Plans		International Pension Plans	
	Quarter ended		Quarter ended	
	3/23/2013	3/24/2012	3/23/2013	3/24/2012
Service cost	\$ 5	\$ 6	\$ —	\$ —
Interest cost	13	15	2	2
Expected return on plan assets	(14)	(16)	(3)	(2)
Amortization of net loss	14	15	1	—
Net periodic benefit cost	\$ 18	\$ 20	\$ —	\$ —

Additional loss (gain) recognized due to:

Settlement ^(a)	\$ 10	\$ —	\$ —	\$ —
Curtailement ^(b)	\$ —	\$ —	\$ (5)	\$ —

- (a) Loss is a result of settlement transactions from a non-funded plan which exceeded the sum of annual service and interest costs for that plan. The loss was recorded in unallocated General and administrative expenses.
- (b) Gain is a result of terminating future service benefits for all participants in one of our UK plans. The gain was recorded in YRI's General and administrative expenses.

We made no contributions to the Plan during the quarter ended March 23, 2013. While we are not required to make any contributions to the Plan in 2013, we may choose to make additional discretionary contributions as part of our overall capital structure strategy. We do not anticipate making any significant contributions to any plan outside of the U.S. in 2013.

Note 11 - Derivative Instruments

The Company is exposed to certain market risks relating to its ongoing business operations. The primary market risks managed by using derivative instruments are interest rate risk and cash flow volatility arising from foreign currency fluctuations.

We enter into interest rate swaps with the objective of reducing our exposure to interest rate risk and lowering interest expense for a portion of our fixed-rate debt. At March 23, 2013, our interest rate derivative instruments outstanding had notional amounts of \$300 million and have been designated as fair value hedges of a portion of our debt. These fair value hedges meet the shortcut method requirements and no ineffectiveness has been recorded.

We enter into foreign currency forward contracts with the objective of reducing our exposure to cash flow volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany short-term receivables and payables. The notional amount, maturity date, and currency of these contracts match those of the underlying receivables or payables. For those foreign currency exchange forward contracts that we have designated as cash flow hedges, we measure ineffectiveness by comparing the cumulative change in the fair value of the forward contract with the cumulative change in the fair value of the hedged item. At March 23, 2013, foreign currency forward contracts outstanding had a total notional amount of \$533 million.

The fair values of derivatives designated as hedging instruments as of March 23, 2013 and December 29, 2012 were:

	3/23/2013	12/29/2012	Condensed Consolidated Balance Sheet Location
Interest Rate Swaps - Asset	\$ 22	\$ 24	Other assets
Foreign Currency Forwards - Asset	2	—	Prepaid expenses and other current assets
Foreign Currency Forwards - Liability	(5)	(5)	Accounts payable and other current liabilities
Total	<u>\$ 19</u>	<u>\$ 19</u>	

The unrealized gains associated with our interest rate swaps that hedge the interest rate risk for a portion of our debt have been reported as an addition of \$20 million to Long-term debt at March 23, 2013 and as an addition of \$22 million to Long-term debt at December 29, 2012. During the quarters ended March 23, 2013 and March 24, 2012, Interest expense, net was reduced by \$2 million and \$4 million, respectively, for recognized gains on interest rate swaps.

Changes in fair value of derivative instruments:

	Quarter	
	3/23/2013	3/24/2012
Beginning of Year Balance	\$ 19	\$ 34
Changes in fair value recognized into OCI	2	(5)
Changes in fair value recognized into income	(1)	2
Cash receipts	(1)	(7)
Ending Balance	<u>\$ 19</u>	<u>\$ 24</u>

For our foreign currency forward contracts the following effective portions of gains and losses were recognized into Accumulated OCI and reclassified into income from Accumulated OCI in the quarters ended March 23, 2013 and March 24, 2012:

	Quarter ended	
	3/23/2013	3/24/2012
Gains (losses) recognized into Accumulated OCI, net of tax	\$ 1	\$ (4)
Gains (losses) reclassified from Accumulated OCI into income, net of tax	\$ —	\$ (3)

The gains/losses reclassified from Accumulated OCI into income were recognized as Other income (expense) in our Condensed Consolidated Statement of Income, largely offsetting foreign currency transaction losses/gains recorded when the related intercompany receivables and payables were adjusted for foreign currency fluctuations. Changes in fair values of the foreign

currency forwards recognized directly in our results of operations either from ineffectiveness or exclusion from effectiveness testing were insignificant in the quarters ended March 23, 2013 and March 24, 2012.

Additionally, we had a net deferred loss of \$11 million, net of tax, as of March 23, 2013 within Accumulated OCI due primarily to treasury locks and forward-starting interest rate swaps that were cash settled in prior years. The majority of this loss arose from the 2007 settlement of forward starting interest rate swaps entered into prior to the issuance of our Senior Unsecured Notes due in 2037, and is being recognized in interest expense through 2037 consistent with interest payments made on the related Senior Unsecured Notes. In the quarters ended March 23, 2013 and March 24, 2012, an insignificant amount was reclassified from Accumulated OCI to Interest expense, net as a result of these previously settled cash flow hedges.

As a result of the use of derivative instruments, the Company is exposed to risk that the counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, we only enter into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. At March 23, 2013, all of the counterparties to our interest rate swaps and foreign currency forwards had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

Note 12 - Fair Value Disclosures

Recurring Fair Value Measurements

The following table presents the fair values for those assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall. No transfers among the levels within the fair value hierarchy occurred during the quarter ended March 23, 2013.

	Level	Fair Value	
		3/23/2013	12/29/2012
Foreign Currency Forwards, net	2	\$ (3)	\$ (5)
Interest Rate Swaps, net	2	22	24
Other Investments	1	18	17
Total		\$ 37	\$ 36

The fair value of the Company's foreign currency forwards and interest rate swaps were determined based on the present value of expected future cash flows considering the risks involved, including nonperformance risk, and using discount rates appropriate for the duration based upon observable inputs. The other investments include investments in mutual funds, which are used to offset fluctuations in deferred compensation liabilities where employees have chosen to invest in phantom shares of a Stock Index Fund or Bond Index Fund. The other investments are classified as trading securities in Other assets in our Condensed Consolidated Balance Sheets and their fair value was determined based on the closing market prices of the respective mutual funds as of March 23, 2013 and December 29, 2012.

At March 23, 2013 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 value of notes receivable net of allowances and lease guarantees less subsequent amortization approximates their carrying value. The Company's debt obligations, excluding capital leases, were estimated to have a fair value of \$3.2 billion (Level 2), compared to their carrying value of \$2.8 billion. We estimated the fair value of debt using market quotes and calculations based on market rates.

Non-Recurring Fair Value Measurements

(Gains) losses recognized from all non-recurring fair value measurements during the quarters ended March 23, 2013 and March 24, 2012:

	Quarter ended	
	March 23, 2013	March 24, 2012
Pizza Hut UK refranchising impairment (Level 2) ^(a)	\$ —	\$ 20
Little Sheep acquisition gain (Level 2) ^(a)	—	(74)
Total	\$ —	\$ (54)

(a) See Note 4 for further discussions of the Pizza Hut UK dine-in refranchising and the acquisition of Little Sheep.

Note 13 - Guarantees, Commitments and Contingencies

Lease Guarantees

As a result of (a) assigning our interest in obligations under real estate leases as a condition to the refranchising of certain Company restaurants; (b) contributing certain Company restaurants to unconsolidated affiliates; and (c) guaranteeing certain other leases, we are frequently contingently liable on lease agreements. These leases have varying terms, the latest of which expires in 2066. As of March 23, 2013, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessees was approximately \$750 million. The present value of these potential payments discounted at our pre-tax cost of debt at March 23, 2013 was approximately \$675 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 agreement in the event of non-payment under the lease. 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 at March 23, 2013 was not material.

Franchise Loan Pool and Equipment Guarantees

We have agreed to provide financial support, if required, to a variable interest entity that operates a franchisee lending program used primarily to assist franchisees in the development of new restaurants in the U.S. and, to a lesser extent, in connection with the Company's refranchising programs. We have provided guarantees of \$37 million in support of the franchisee loan program at March 23, 2013. Loans outstanding under the loan pool totaled \$53 million at March 23, 2013 with an additional \$27 million available for lending at March 23, 2013. We have determined that we are not required to consolidate this entity as we share the power to direct this entity's lending activity with other parties.

In addition to the guarantee program described above, YUM has provided guarantees of \$54 million on behalf of franchisees for several financing programs related to specific initiatives. The total loans outstanding under these financing programs were approximately \$70 million at March 23, 2013.

Insurance Programs

We are self-insured for a substantial portion of our current and prior years' loss exposures including workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively, "property and casualty losses"). To mitigate the cost of our exposures for certain property and casualty losses, we self-insure the risks of loss up to defined maximum per occurrence retentions on a line-by-line basis. The Company then purchases insurance coverage, up to a certain limit, for losses that exceed the self-insurance per occurrence retention. The insurers' maximum aggregate loss limits are significantly above our actuarially-determined probable losses; therefore, we believe the likelihood of losses exceeding the insurers' maximum aggregate loss limits is remote. As of March 23, 2013 and December 29, 2012, we had liabilities recorded for self-insured property and casualty losses of \$137 million and \$142 million, respectively.

In the U.S. and in certain other countries, we are also self-insured for healthcare claims and for long-term disability claims for eligible participating employees subject to certain deductibles and limitations. We have accounted for our retained liabilities for property and casualty losses, healthcare and long-term disability claims, including both reported and incurred but not reported claims, based on information provided by independent actuaries.

Due to the inherent volatility of actuarially-determined property and casualty loss estimates, it is reasonably possible that we could experience changes in estimated losses which could be material to our growth in quarterly and annual Net Income. We believe that we have recorded reserves for property and casualty losses at a level which has substantially mitigated the potential negative impact of adverse developments and/or volatility.

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.

Beginning on January 24, 2013 four purported class actions were filed in the United States District Court for the Central District of California against the Company and certain of its executive officers. The complaints allege claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against defendants on behalf of a purported class of all persons who purchased or otherwise acquired the Company's publicly traded securities between October 9, 2012 and January 7, 2013, inclusive (the "class period"). Plaintiffs allege that during the class period, defendants purportedly made materially false and misleading statements concerning the Company's current and future business and financial condition, thereby inflating the prices at which the Company's securities traded. The complaints seek damages in an undefined amount. On March 25, 2013, two prospective lead plaintiffs filed motions seeking consolidation of the four actions, appointment as lead plaintiff, and approval of their selection of counsel. In addition, on March 26, 2013, the Company filed a motion to transfer venue to the United States District Court for the Western District of Kentucky. These motions are currently pending before the court. The Company denies liability and intends to vigorously defend against all claims in these complaints. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

On January 24, 2013, a purported shareholder of the Company submitted a letter demanding that the board of directors initiate an investigation of alleged breaches of fiduciary duties by directors, officers and employees of the Company. The breaches of fiduciary duties are alleged to have arisen as a result of, among other alleged misconduct, the failure to implement proper controls in connection with the Company's purchases of poultry from suppliers to the Company's China operations. Since that time, several similar additional letters by other purported shareholders have been submitted to the Company. Those letters have been referred to a committee of the Board of Directors for consideration.

On February 8, 2013, another purported shareholder of the Company filed a derivative action in the United States District Court for the Central District of California against various officers and directors of the Company asserting breaches of fiduciary duty in connection with an alleged scheme to mislead investors about the Company's growth prospects in China. The shareholder plaintiff did not first submit a demand on the board of directors of the Company to bring this action as required under North Carolina law, and on February 13, 2013 the shareholder plaintiff requested voluntary dismissal of the complaint. The parties are awaiting the court's approval of this request. Following the request for voluntary dismissal, the shareholder also submitted a letter similar to the letters described in the previous paragraph.

Taco Bell was named as a defendant 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 seek penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act as well as statutory "waiting time" penalties and allege violations of California's Unfair Business Practices Act. Plaintiffs seek to represent a California state-wide class of hourly employees.

On May 19, 2009 the court granted Taco Bell's motion to consolidate these matters, and the consolidated case is styled In Re Taco Bell Wage and Hour Actions.d t h e p a r t i e s ' stipulation to dismiss the Company from the action. 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 District Court rejected three of the proposed classes but granted certification with respect to the late meal break class.

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.

On September 28, 2009, a putative class action styled Marisela Rosales v. Taco Bell Corp. was filed in Orange County Superior Court. The plaintiff, a former Taco Bell crew member, alleges that Taco Bell failed to timely pay her final wages upon termination and seeks restitution and late payment penalties on behalf of herself and similarly situated employees. This case appears to be duplicative of the In Re Taco Bell Wage and Hour Actions case described above. Taco Bell filed a motion to dismiss, stay or transfer the case to the same district court as the In Re Taco Bell Wage and Hour Actions case. The state court granted Taco Bell's motion to stay the Rosales case on May 28, 2010. After the September 2011 denial of class certification in the In Re Taco Bell Wage and Hour Actions, the court granted plaintiff leave to amend her lawsuit, which plaintiff filed and served on January 4, 2012. Taco Bell filed its responsive pleading on February 8, 2012, and plaintiff has since filed two additional amended complaints. Taco Bell has answered the Third Amended Complaint and commenced discovery.

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.

On December 17, 2002, Taco Bell was named as the defendant in a class action lawsuit filed in the United States District Court for the Northern District of California styled Moeller, et al. v. Taco Bell Corp. On August 4, 2003, plaintiffs filed an amended complaint alleging, among other things, that Taco Bell has discriminated against the class of people who use wheelchairs or scooters for mobility by failing to make its approximately 200 Company-owned restaurants in California accessible to the class. Plaintiffs contend that queue rails and other architectural and structural elements of the Taco Bell restaurants relating to the path of travel and use of the facilities by persons with mobility-related disabilities do not comply with the U.S. Americans with Disabilities Act (the "ADA"), the Unruh Civil Rights Act (the "Unruh Act"), and the California Disabled Persons Act (the "CDPA"). Plaintiffs have requested: (a) an injunction from the District Court ordering Taco Bell to comply with the ADA and its implementing regulations; (b) that the District Court declare Taco Bell in violation of the ADA, the Unruh Act, and the CDPA; and (c) monetary relief under the Unruh Act or CDPA. Plaintiffs, on behalf of the class, are seeking the minimum statutory damages per offense of either \$4,000 under the Unruh Act or \$1,000 under the CDPA for each aggrieved member of the class. Plaintiffs contend that there may be in excess of 100,000 individuals in the class. In February 2004, the District Court granted plaintiffs' motion for class certification. The class included claims for injunctive relief and minimum statutory damages.

In May 2007, a hearing was held on plaintiffs' Motion for Partial Summary Judgment seeking judicial declaration that Taco Bell was in violation of accessibility laws as to three specific issues: indoor seating, queue rails and door opening force. In August 2007, the court granted plaintiffs' motion in part with regard to dining room seating. In addition, the court granted plaintiffs' motion in part with regard to door opening force at some restaurants (but not all) and denied the motion with regard to queue lines.

On December 16, 2009, the court denied Taco Bell's motion for summary judgment on the ADA claims and ordered plaintiffs to select one restaurant to be the subject of a trial. The trial for the exemplar restaurant began on June 6, 2011, and on October 5, 2011 the court issued Findings of Fact and Conclusions of Law ruling that plaintiffs established that classwide injunctive relief was warranted with regard to maintaining compliance as to corporate Taco Bell restaurants in California. The court declined to order injunctive relief at the time, however, citing the pendency of Taco Bell's motions to decertify both the injunctive and damages class. The court also found that twelve specific items at the exemplar store were once out of compliance with applicable state and/or federal accessibility standards.

Taco Bell filed a motion to decertify the class in August 2011, and in July 2012, the court granted Taco Bell's motion to decertify the previously certified state law damages class but denied Taco Bell's motion to decertify the ADA injunctive relief class. On September 13, 2012, the court set a discovery and briefing schedule concerning the trials of the four individual plaintiffs' state law damages claims, which the court stated will be tried before holding further proceedings regarding the possible issuance of an injunction. On September 17, 2012, the court issued an order modifying its October 2011 Findings of Facts and Conclusions of Law deleting the statement that an injunction was warranted. Plaintiffs appealed that order. Briefing is complete, and a hearing has been scheduled for June 13, 2013.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. Further, Taco Bell intends to vigorously oppose plaintiffs' appeal. Taco Bell has taken steps to address potential architectural and structural compliance issues at the restaurants in accordance with applicable state and federal disability access laws. The costs associated with addressing these issues have not significantly impacted our results of operations. 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 Financial Statements. A reasonable estimate of the amount of any possible loss or range of loss in excess of that currently provided for in our Financial Statements cannot be made at this time.

On July 9, 2009, a putative class action styled Mark Smith v. Pizza Hut, Inc. was filed in the United States District Court for the District of Colorado. The complaint alleged that Pizza Hut did not properly reimburse its delivery drivers for various automobile costs, uniforms costs, and other job-related expenses and seeks to represent a class of delivery drivers nationwide under the Fair Labor Standards Act (FLSA) and Colorado state law. On January 4, 2010, plaintiffs filed a motion for conditional certification of a nationwide class of current and former Pizza Hut, Inc. delivery drivers. However, on March 11, 2010, the court granted Pizza Hut's pending motion to dismiss for failure to state a claim, with leave to amend. On March 31, 2010, plaintiffs filed an amended complaint, which dropped the uniform claims but, in addition to the federal FLSA claims, asserted state-law class action claims under the laws of sixteen different states. Pizza Hut filed a motion to dismiss the amended complaint, and plaintiffs sought leave to amend their complaint a second time. On August 9, 2010, the court granted plaintiffs' motion to amend. Pizza Hut filed another motion to dismiss the Second Amended Complaint. On July 15, 2011, the Court granted Pizza Hut's motion with respect to plaintiffs' state law claims but allowed the FLSA claims to go forward. Plaintiffs filed their Motion for Conditional Certification on August 31, 2011, and the Court granted plaintiffs' motion April 21, 2012. The opt-in period closed on August 23, 2012, and the parties are working to finalize the list of opt-ins. The final number has yet to be determined but is expected to be approximately 6,000.

Pizza Hut 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.

On August 6, 2010, a putative class action styled Jacquelyn Whittington v. Yum Brands, Inc., Taco Bell of America, Inc. and Taco Bell Corp. was filed in the United States District Court for the District of Colorado. The plaintiff seeks to represent a nationwide class, with the exception of California, of salaried assistant managers who were allegedly misclassified and did not receive compensation for all hours worked and did not receive overtime pay after 40 hours worked in a week. The plaintiff also purports to represent a separate class of Colorado assistant managers under Colorado state law, which provides for daily overtime after 12 hours worked in a day. The Company has been dismissed from the case without prejudice. Taco Bell filed its answer on September 20, 2010, and the parties commenced class discovery, which is currently on-going. On September 16, 2011, plaintiffs filed their motion for conditional certification under the FLSA. The court heard plaintiffs' motion for conditional certification under the FLSA on January 10, 2012, granted conditional certification and ordered the notice of the opt-in class be sent to the putative class members. Approximately 488 individuals submitted opt-in forms. The court granted Taco Bell's request for written and deposition discovery of the class. After further discovery, Taco Bell plans to seek decertification of the class. The plaintiffs are no longer pursuing their alleged Colorado state law claims.

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

On July 27, 2012, a putative class action lawsuit, styled Agustine Castillo v. Taco Bell of America, LLC and Taco Bell Corp., was filed in the United States District Court for the Eastern District of New York. The plaintiff seeks to represent a nationwide class of salaried assistant general managers who were allegedly misclassified and did not receive compensation for all hours worked and did not receive overtime pay after 40 hours worked in a week. The plaintiff also seeks to represent a statewide class of salaried assistant general managers who allegedly did not receive compensation for all hours worked. The plaintiff's counsel in this action is the same as plaintiffs' counsel in the Whittington lawsuit. On January 4, 2013, Taco Bell filed a motion to dismiss or stay the action. On March 18, 2013, the court granted Taco Bell's motion to dismiss as to the putative class. Thereafter, the three individually-named plaintiffs dismissed their individual actions, and the matter is finally closed.

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 Financial Statements.

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

Introduction and Overview

The following Management's Discussion and Analysis ("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 29, 2012 ("2012 Form 10-K"). Throughout the MD&A, YUM! Brands, Inc. ("YUM" or the "Company") makes reference to certain performance measures as described below.

- The Company provides the 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 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 development.
- Same-store sales is the estimated growth in system sales of all restaurants that have been open and in the YUM system one year or more.
- Company restaurant profit is defined as Company sales less expenses incurred directly by our Company restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Company restaurant profit divided by Company sales.
- Operating margin is defined as Operating Profit divided by Total revenues.

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.

Description of Business

YUM is the world's largest quick-service restaurant ("QSR") company in terms of system restaurants, with over 39,000 restaurants in more than 130 countries and territories operating primarily under the KFC, Pizza Hut or Taco Bell brands. The Company's primary restaurant brands – KFC, Pizza Hut and Taco Bell – are the global leaders in the quick-service chicken, pizza and Mexican-style food categories, respectively. Of the over 39,000 restaurants, 75% are operated by franchisees and unconsolidated affiliates, 20% are operated by the Company and 5% are operated by licensees.

YUM's business consists of four reporting segments: YUM China ("China" or "China Division"), YUM Restaurants International ("YRI" or "International Division"), United States ("U.S." or "U.S. Division") and YUM Restaurants India ("India" or "India Division"). The China Division includes mainland China and the India Division includes India, Bangladesh, Mauritius, Nepal and Sri Lanka. YRI includes the remainder of our international operations. The China Division, YRI and Taco Bell-U.S. now represent approximately 85% of the Company's segment operating profits.

Strategies

The Company continues to focus on four key strategies:

Build Leading Brands in China in Every Significant Category – The Company has developed the KFC and Pizza Hut brands into the leading quick service and casual dining restaurant brands, respectively, in mainland China. Additionally, the Company owns and operates the distribution system for its restaurants in China which we believe provides a significant competitive advantage. Given this strong competitive position, a growing economy and a population of 1.3 billion in mainland China, the Company is rapidly adding KFC and Pizza Hut Casual Dining restaurants and testing the additional restaurant concepts of Pizza Hut Home Service (pizza delivery) and East Dawning (Chinese food). Additionally, on February 1, 2012 we acquired an additional 66% interest in Little Sheep Group Ltd. ("Little Sheep"), a leading casual dining concept in China. This acquisition brought our total ownership to approximately 93% of the business. Our ongoing earnings growth model in China includes double-digit percentage unit growth, mid-teen system sales growth, mid-single digit same-store sales growth and moderate leverage of our General and Administrative ("G&A") infrastructure, which we expect to drive Operating Profit growth of 15%.

Drive Aggressive International Expansion and Build Strong Brands Everywhere – Outside the U.S. and China the Company and its franchisees opened over 1,000 new restaurants in 2012, representing 13 straight years of opening over 700 restaurants, and the Company is one of the leading international retail developers in terms of units opened. The Company expects to continue to experience strong growth by building out existing markets and growing in new markets including India, France, Germany, Russia and across Africa. The International Division's Operating Profit has experienced a 10-year compound annual growth rate of 12%. Our ongoing earnings growth model for YRI includes Operating Profit growth of 10% driven by 3-4% unit growth, system sales growth of 6%, at least 2-3% same-store sales growth, margin improvement and leverage of our G&A infrastructure.

Dramatically Improve U.S. Brand Positions, Consistency and Returns – The Company continues to focus on improving its U.S. position through differentiated products and marketing and an improved customer experience. The Company also strives to provide industry-leading new product innovation which adds sales layers and expands day parts. We continue to evaluate our returns and ownership positions with an earn-the-right-to-own philosophy on Company-owned restaurants. Our ongoing earnings growth model for the U.S. calls for Operating Profit growth of 5% driven by same-store sales growth of at least 2%, margin improvement and leverage of our G&A infrastructure.

Drive Industry-Leading, Long-Term Shareholder and Franchisee Value – The Company is focused on delivering high returns and returning substantial cash flows to its shareholders via dividends and share repurchases. The Company has one of the highest returns on invested capital in the QSR industry. The Company's dividend and share repurchase programs have returned over \$2.8 billion and \$7.8 billion to shareholders, respectively, since 2004. The Company targets an annual dividend payout ratio of 35% to 40% of net income and has increased the quarterly dividend at a double-digit percentage rate each year since first initiating a dividend in 2004. Shares are repurchased opportunistically as part of our regular capital structure decisions.

The ongoing earnings growth rates referenced above represent our average annual targets for the next several years. Consistent with these ongoing earnings growth rates, in December 2012 we indicated our expectation of at least 10% EPS growth for 2013. We have subsequently lowered our 2013 full year expectations. See the China Poultry Supply Situation and Avian Flu section within the Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results section of this MD&A for further discussion.

Quarter Ended March 23, 2013 Highlights

- China Division sales and profits were significantly impacted by adverse publicity from the poultry supply situation that occurred in late December 2012.
- Worldwide system sales grew 1%, prior to foreign currency translation, including 4% at Yum! Restaurants International (YRI) and 2% in the U.S. System sales declined 9% in China.
- Same-store sales declined 20% in China. Same-store sales grew 1% at YRI and 2% in the U.S.
- Total international development was 380 new restaurants; 88% of this development occurred in emerging markets.
- Worldwide restaurant margin declined 2.7 percentage points to 15.9%, including a decline of 7.0 percentage points in China. Restaurant margin increased 1.4 percentage points at YRI and 2.4 percentage points in the U.S.
- Worldwide operating profit declined 14%, prior to foreign currency translation, including a 41% decline in China. Operating profit grew 19% at YRI and 5% in the U.S.
- Worldwide effective tax rate, prior to Special Items, decreased to 26.0% from 27.5%. The decrease in the tax rate positively impacted EPS growth by 2 percentage points.

All preceding comparisons are versus the same period a year ago and exclude the impact of Special Items. See the Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results section of this MD&A for a description of Special Items.

Results of Operations

	Quarter ended		% B/(W)
	3/23/2013	3/24/2012	
Company sales	\$ 2,099	\$ 2,344	(10)
Franchise and license fees and income	436	399	9
Total revenues	\$ 2,535	\$ 2,743	(8)
Company restaurant profit	\$ 333	\$ 440	(24)
% of Company sales	15.9%	18.8%	(2.9) ppts.
Operating Profit	\$ 487	\$ 645	(25)
Interest expense, net	31	37	16
Income tax provision	120	147	18
Net Income – including noncontrolling interests	\$ 336	\$ 461	(27)
Net Income (loss) – noncontrolling interests	(1)	3	NM
Net Income – YUM! Brands, Inc.	\$ 337	\$ 458	(27)
Diluted earnings per share ^(a)	\$ 0.72	\$ 0.96	(24)

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

Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results

The following factors impacted comparability of operating performance for the quarters ended March 23, 2013 and March 24, 2012 and/or could impact comparability with the remainder of our results in 2013 or beyond. Certain of these factors were previously discussed in our 2012 Form 10-K.

Special Items

In addition to the results provided in accordance with Generally Accepted Accounting Principles in the United States (“GAAP”) above and throughout this document, the Company has provided non-GAAP measurements which present operating results in 2013 and 2012 on a basis before Special Items. Included in Special Items are the U.S. refranchising gain (loss), the gain upon acquisition of Little Sheep and the losses associated with the refranchising of the Pizza Hut UK dine-in business. Other Special Items Income (Expense) includes the depreciation reductions from Pizza Hut UK and KFC U.S. restaurants impaired upon our decision or offer to refranchise that remained Company stores for some or all of the periods presented and charges relating to U.S. G&A productivity initiatives and realignment of resources.

The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present operations, excluding items in the quarters ended March 23, 2013 and March 24, 2012 that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

	Quarter ended	
	3/23/2013	3/24/2012
<u>Detail of Special Items</u>		
U.S. Refranchising gain (loss)	\$ 17	\$ 45
Gain upon acquisition of Little Sheep	—	74
Loss associated with refranchising the Pizza Hut UK dine-in business	—	(21)
Other Special Items	—	3
Total Special Items Income (Expense)	17	101
Tax Benefit (Expense) on Special Items ^(a)	(6)	(7)
Special Items Income (Expense), net of tax	\$ 11	\$ 94
Average diluted shares outstanding	465	478
Special Items diluted EPS	\$ 0.02	\$ 0.20
<u>Reconciliation of Operating Profit Before Special Items to Reported Operating Profit</u>		
Operating Profit before Special Items	\$ 470	\$ 544
Special Items Income (Expense)	17	101
Reported Operating Profit	\$ 487	\$ 645
<u>Reconciliation of EPS Before Special Items to Reported EPS</u>		
Diluted EPS before Special Items	\$ 0.70	\$ 0.76
Special Items EPS	0.02	0.20
Reported EPS	\$ 0.72	\$ 0.96
<u>Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate</u>		
Effective Tax Rate before Special Items	26.0%	27.5 %
Impact on Tax Rate as a result of Special Items ^(a)	0.4%	(3.4)%
Reported Effective Tax Rate	26.4%	24.1 %

- (a) 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.

U.S. Refranchising Gain (Loss)

In the quarters ended March 23, 2013 and March 24, 2012, we recorded net pre-tax refranchising gains of \$17 million and \$45 million, respectively, in the U.S., primarily related to Taco Bell. Refranchising activity is more fully discussed in Note 4 and the Store Portfolio Strategy Section of this MD&A.

Little Sheep Acquisition

On February 1, 2012 we acquired an additional 66% interest in Little Sheep for \$540 million, net of cash acquired of \$44 million, increasing our ownership to 93%. The acquisition was driven by our strategy to build leading brands across China in every significant category. Prior to our acquisition of this additional interest, our 27% interest in Little Sheep was accounted for under the equity method of accounting. As a result of the acquisition we obtained voting control of Little Sheep, and thus we began consolidating Little Sheep upon acquisition. As required by GAAP, we remeasured our previously held 27% ownership in the entity, which had a recorded value of \$107 million at the date of acquisition, at fair value based on Little Sheep's traded share price immediately prior to our offer to purchase the business and recognized a non-cash gain of \$74 million, which resulted in no related income tax expense.

Under the equity method of accounting, we previously reported our 27% share of the net income of Little Sheep as Other (income) expense in the Condensed Consolidated Statements of Income. Since we began consolidating, we have reported the results of operations for Little Sheep in the appropriate line items of our Condensed Consolidated Statement of Income. We no longer report Other (income) expense as we did under the equity method of accounting. Net income attributable to our partner's ownership percentage is recorded as Net Income (loss) - noncontrolling interest. Little Sheep reports on a one month lag and, as a result, their consolidated results are included in the China Division from the beginning of the quarter ended June 16, 2012. The consolidation of Little Sheep increased China Division Revenues and Operating Profit each by 4% for the quarter ended March 23, 2013.

Pizza Hut United Kingdom ("UK") Refranchising

During the fourth quarter of 2012, we refranchised our remaining 331 Company-owned Pizza Hut dine-in restaurants in the UK. The franchise agreement for these stores allows the franchisee to pay continuing franchise fees in the initial years of the agreement at a reduced rate. We agreed to allow the franchisee to pay these reduced fees in part as consideration for their assumption of lease liabilities related to underperforming stores that we anticipate they will close that were part of the refranchising. We recognize the estimated value of terms in franchise agreements entered into concurrently with a refranchising transaction that are not consistent with market terms as part of the upfront refranchising gain (loss). Accordingly, upon the closing of this refranchising in the fourth quarter of 2012, we recognized a loss of \$53 million representing the estimated value of these reduced continuing fees. The associated deferred credit is being amortized into YRI's Franchise and license fees and income over the next 4 years, including \$4 million in the quarter ended March 23, 2013. For the quarter ended March 23, 2013, the refranchising of the Pizza Hut UK dine-in restaurants decreased Company sales by 21% and increased Franchise and license fees and income and Operating Profit by 2% and 3%, respectively, for the YRI Division.

During the quarter ended March 24, 2012 we recorded a loss of \$21 million and a \$4 million related income tax benefit due to the then planned refranchising of the remaining Company-owned Pizza Hut UK dine-in restaurants.

China Poultry Supply Situation and Avian Flu

China Division same-store sales declined 20% for the quarter ended March 23, 2013, including a 24% decline at KFC China and a 2% decline in Pizza Hut Casual Dining. Our KFC China sales were, and continue to be, negatively impacted by intense media attention surrounding the poultry supply situation that occurred in China in late December 2012. The resulting sales de-leverage negatively impacted China Division restaurant margin by 7 percentage points, driving a decline in China Division Operating Profit of 41%, excluding the impact of foreign currency translation, for the quarter ended March 23, 2013.

Our China Division same-store sales improved in March 2013 (which is part of the China Division second quarter) compared to the first quarter, with March same-store sales declining 13%, including a 16% decline at KFC partially offset by 4% growth at Pizza Hut Casual Dining. However, since the beginning of April, our China Division sales have been further negatively impacted by adverse publicity surrounding Avian Flu in China. We expect China Division same-store sales to decline about 30% for April, with significant negative same-store sales in KFC China and positive same-store sales for Pizza Hut Casual Dining.

Under the assumption that our China Division sales would recover from the poultry supply situation throughout the year and same-store sales would be positive in the fourth quarter of 2013, we previously estimated a mid-single digit percentage decline in YUM EPS prior to Special Items in 2013 versus 2012.

Due in large part to stronger-than-expected sales in China during the Chinese New Year holiday period in February, we reported an 8% decline in EPS before Special Items for the quarter ended March 23, 2013 versus our previous estimate of a 25% decline. However, as mentioned above, the recent impact of publicity associated with Avian Flu has negatively impacted our sales recovery. While prior instances of the impact of Avian Flu on sales at KFC China have been short-lived, we anticipate that the continued negative same-store sales at KFC China will result in a significant double-digit percentage decline in EPS before Special Items for our quarter ending June 15, 2013. This is expected to be the low point for the year-over-year EPS change for any quarter in 2013. It is difficult to forecast the timing and extent of any recovery given the continued volatility in our KFC China sales. However, we continue to estimate that our China Division same-stores sales will be positive in the fourth quarter of 2013. With this as our assumption, we continue to estimate that YUM EPS prior to Special Items for the full year will experience a mid-single digit percentage decline in 2013 as the stronger-than-expected results in the quarter ended March 23, 2013 are expected to be offset by the negative impact on results related to the publicity associated with Avian Flu.

Impact of Foreign Currency Translation on Operating Profit

Changes in foreign currency exchange rates positively impacted the translation of our foreign currency denominated Operating Profit in our China Division by \$2 million for the quarter ended March 23, 2013, while foreign currency exchange rates had a negligible impact to Operating profit in our YRI Division for the quarter ended March 23, 2013.

Store Portfolio Strategy

From time to time we sell Company restaurants to existing and new franchisees where geographic synergies can be obtained or where franchisees' expertise can generally be leveraged to improve our overall operating performance, while retaining or acquiring Company ownership of strategic U.S. and international markets in which we choose to continue investing capital. Consistent with this strategy, 85 Company restaurants in the U.S. were sold to franchisees in the quarter ended March 23, 2013.

The following table summarizes our worldwide refranchising activities:

	Quarter ended	
	3/23/2013	3/24/2012
Number of units refranchised	92	139
Refranchising proceeds, pre-tax	\$ 81	\$ 102
Refranchising (gain) loss, pre-tax	\$ (17)	\$ (26)

Refranchisings reduce our reported revenues and restaurant profits and increase the importance of system sales growth as a key performance measure. Additionally, G&A expenses will decline and Franchise and license expenses can increase over time as a result of these refranchising activities. The timing of G&A declines will vary and often lag the actual refranchising activities as the synergies are typically dependent upon the size and geography of the respective deals. G&A expenses included in the tables below reflect only direct G&A that we no longer incurred as a result of stores that were operated by us for all or some portion of the respective comparable period in 2012 and were no longer operated by us as of the last day of the respective current quarter.

The impact on Operating Profit arising from refranchising is the net of (a) the estimated reductions in Restaurant profit and G&A expenses and (b) the increase in franchise fees and expenses from the restaurants that have been refranchised. The tables presented below reflect the impacts on Total revenues and on Operating Profit from stores that were operated by us for all or some portion of the respective prior year period and were no longer operated by us as of the last day of the respective current quarter. In these tables, Decreased Company sales and Decreased Restaurant profit represents the amount of Company sales or Restaurant profit earned by the refranchised restaurants during the period we owned them in the prior year but did not own them in the current year. Increased Franchise and license fees and income represents the franchise and license fees and rent income from the refranchised restaurants that were recorded by the Company in the current year during periods in which the restaurants were Company stores in the prior year. Increased Franchise and license expenses represent primarily rent expense and depreciation where we continue to own or lease the underlying property for the refranchised restaurants that were recorded by the Company in the current year during periods in which the restaurants were Company stores in the prior year.

The following table summarizes the impact of refranchising on Total revenues as described above:

	Quarter ended 3/23/13				
	China	YRI	U.S.	India	Worldwide
Decreased Company sales	\$ (12)	\$ (105)	\$ (136)	\$ —	\$ (253)
Increased Franchise and license fees and income	1	5	9	—	15
Decrease in Total revenues	\$ (11)	\$ (100)	\$ (127)	\$ —	\$ (238)

The following table summarizes the impact of refranchising on Operating Profit as described above:

	Quarter ended 3/23/13				
	China	YRI	U.S.	India	Worldwide
Decreased Restaurant profit	\$ (2)	\$ (4)	\$ (13)	\$ —	\$ (19)
Increased Franchise and license fees and income	1	5	9	—	15
Increased Franchise and license expenses	(1)	(1)	(1)	—	(3)
Decreased G&A	—	5	2	—	7
(Decrease) Increase in Operating Profit	\$ (2)	\$ 5	\$ (3)	\$ —	\$ —

Internal Revenue Service Proposed Adjustment

On June 23, 2010, the Company received a Revenue Agent Report (RAR) from the Internal Revenue Service (the "IRS") relating to its examination of our U.S. federal income tax returns for fiscal years 2004 through 2006. The IRS has proposed an adjustment to increase the taxable value of rights to intangibles used outside the U.S. that YUM transferred to certain of its foreign subsidiaries. The proposed adjustment would result in approximately \$700 million of additional taxes plus net interest to date of approximately \$230 million for fiscal years 2004-2006. On January 9, 2013, the Company received an RAR from the IRS for fiscal years 2007 and 2008. As expected, the IRS proposed an adjustment similar to their proposal for 2004-2006 that would result in approximately \$270 million of additional taxes plus net interest to date of approximately \$35 million for fiscal years 2007 and 2008. Furthermore, the Company expects the IRS to make similar claims for years subsequent to fiscal 2008. The potential additional taxes for 2009 through 2012, computed on a similar basis to the 2004-2008 additional taxes, would be approximately \$130 million plus net interest to date of approximately \$5 million.

We believe that the Company has properly reported taxable income and paid taxes in accordance with applicable laws and that the proposed adjustments are inconsistent with applicable income tax laws, Treasury Regulations and relevant case law. We intend to defend our position vigorously and have filed a protest with the IRS. As the final resolution of the proposed adjustments remains uncertain, the Company will continue to provide for its position in accordance with GAAP. There can be no assurance that payments due upon final resolution of this issue will not exceed our currently recorded reserve and such payments could have a material, adverse effect on our financial position. Additionally, if increases to our reserves are deemed necessary due to future developments related to this issue, such increases could have a material, adverse effect on our results of operations as they are recorded. The Company does not expect resolution of this matter within twelve months and cannot predict with certainty the timing of such resolution.

Restaurant Unit Activity

<u>Worldwide</u>	Franchisees	Company ^(a)	Unconsolidated Affiliates	Total Excluding Licensees ^(a)
Beginning of year	28,608	7,578	660	36,846
New Builds	192	243	15	450
Acquisitions	(2)	2	—	—
Refranchising	92	(92)	—	—
Closures	(121)	(37)	(2)	(160)
Other	4	—	—	4
End of quarter	28,773	7,694	673	37,140
% of Total	77%	21%	2%	100%

<u>China</u>	Franchisees	Company ^(a)	Unconsolidated Affiliates	Total Excluding Licensees
Beginning of year	519	4,547	660	5,726
New Builds	—	211	15	226
Acquisitions	—	—	—	—
Refranchising	2	(2)	—	—
Closures	(3)	(21)	(2)	(26)
Other	—	—	—	—
End of quarter	518	4,735	673	5,926
% of Total	9%	80%	11%	100%

<u>YRI</u>	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees ^(a)
Beginning of year	13,322	1,178	—	14,500
New Builds	132	15	—	147
Acquisitions	(2)	2	—	—
Refranchising	5	(5)	—	—
Closures	(71)	(7)	—	(78)
Other	—	—	—	—
End of quarter	13,386	1,183	—	14,569
% of Total	92%	8%	—%	100%

<u>United States</u>	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees ^(a)
Beginning of year	14,294	1,733	—	16,027
New Builds	55	15	—	70
Acquisitions	—	—	—	—
Refranchising	85	(85)	—	—
Closures	(43)	(8)	—	(51)
Other	4	—	—	4
End of quarter	14,395	1,655	—	16,050
% of Total	90%	10%	—%	100%

<u>India</u>	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees
Beginning of year	473	120	—	593
New Builds	5	2	—	7
Acquisitions	—	—	—	—
Refranchising	—	—	—	—
Closures	(4)	(1)	—	(5)
Other	—	—	—	—
End of quarter	474	121	—	595
% of Total	80%	20%	—%	100%

- (a) The Worldwide, YRI and U.S. totals exclude 2,143, 125 and 2,018 licensed units, respectively, at March 23, 2013. While there are no licensed units in China, we have excluded from the Worldwide and China totals 7 Company-owned units that are similar to licensed units. There are no licensed units in India. The units excluded offer limited menus and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums and amusement parks where a full scale traditional outlet would not be practical or efficient. As licensed units have lower average unit sales volumes than our traditional units and our current strategy does not place a significant emphasis on expanding our licensed units, we do not believe that providing further detail of licensed unit activity provides significant or meaningful information at this time.

System Sales Growth

The following table details the key drivers of system sales growth for each reportable segment for the quarter. Net unit growth and other represents the net impact of actual system sales growth due to new unit openings and historical system sales lost due to closures as well as any necessary rounding.

	Quarter ended 3/23/13 vs. Quarter ended 3/24/12				
	China ^(a)	YRI	U.S.	India ^(b)	Worldwide
Same-store sales growth (decline)	(20)%	1%	2%	(14)%	(3)%
Net unit growth and other	11	3	—	17	4
Foreign currency translation	1	—	N/A	(4)	—
% Change	(8)%	4%	2%	(1)%	1%
% Change, excluding forex	(9)%	4%	N/A	3%	1%

- (a) For the quarter ended March 23, 2013, net unit growth and other includes a 4% positive impact for China related to the acquisition of Little Sheep.

- (b) During the quarter ended March 23, 2013 we eliminated the period lag that we previously used to facilitate the reporting of our India Division's results. Accordingly, the India Division results for the first quarter of 2013 include the months of January and February 2013. Due to the immateriality of the India Division's results we did not restate the prior year operating results for the elimination of this period lag and therefore the results for the first quarter of 2012 continue to include the months of December 2011 and January 2012. Additionally, the table above compares these months. If we had compared January and February 2013 to January and February 2012, India Division system sales and same-store sales, would have been higher by 13% and 11%, respectively, excluding the impact of foreign currency translation, for the quarter ended March 23, 2013.

Company Operated Store Results

The following tables detail the key drivers of the quarter-over-quarter changes of Company sales and Restaurant profit for each reportable segment.

Store portfolio actions represent the net impact of new unit openings, acquisitions, refranchisings and store closures on Company sales or Restaurant profit. The impact of new unit openings and acquisitions represent the actual Company sales and Restaurant profit for the periods the Company operated the restaurants in the current year but did not operate them in the prior year. The impact of refranchisings and store closures represent the actual Company sales and Restaurant profit for the periods in the prior year while the Company operated the restaurants but did not operate them in the current year.

The impact on Company sales within the Other column primarily represents the impact of same-store sales. The impact on Cost of sales, Cost of labor and Occupancy and other within the Other column represents the impact of same-store sales, as well as the impact of changes in costs such as inflation/deflation. The impact on costs from same-store sales varies to the extent the same-store sales change is due to a change in pricing, the number of transactions or sales mix.

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

China

Income / (Expense)	Quarter ended				3/23/2013
	3/24/2012	Store Portfolio Actions	Other	FX	
Company sales	\$ 1,199	\$ 156	\$ (235)	\$ 13	\$ 1,133
Cost of sales	(413)	(49)	91	(4)	(375)
Cost of labor	(188)	(37)	(3)	(3)	(231)
Occupancy and other	(316)	(55)	36	(4)	(339)
Restaurant profit	\$ 282	\$ 15	\$ (111)	\$ 2	\$ 188
Restaurant Margin	23.6%				16.6%

In the quarter ended March 23, 2013, the increase in China Company sales and Restaurant profit associated with store portfolio actions was primarily driven by new unit development and the acquisition of Little Sheep, partially offset by restaurant closures. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales declines of 19% and wage rate inflation of 8%.

YRI

Income / (Expense)	Quarter ended				
	3/24/2012	Store Portfolio		FX	3/23/2013
		Actions	Other		
Company sales	\$ 509	\$ (85)	\$ 15	\$ 5	\$ 444
Cost of sales	(167)	19	(4)	(1)	(153)
Cost of labor	(130)	27	(1)	(1)	(105)
Occupancy and other	(150)	34	(8)	(2)	(126)
Restaurant profit	\$ 62	\$ (5)	\$ 2	\$ 1	\$ 60
Restaurant Margin	12.2%				13.6%

In the quarter ended March 23, 2013, the decrease in YRI Company sales associated with store portfolio actions was driven by the refranchising of our remaining Company-owned Pizza Hut UK dine-in restaurants in the fourth quarter of 2012, partially offset by new unit development. The decrease in YRI Restaurant profit associated with store portfolio actions was driven by the refranchising of our remaining Company-owned Pizza Hut UK dine-in restaurants in the fourth quarter of 2012. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 4%.

U.S.

Income / (Expense)	Quarter ended			
	3/24/2012	Store Portfolio		3/23/2013
		Actions	Other	
Company sales	\$ 622	\$ (124)	\$ 7	\$ 505
Cost of sales	(182)	38	(1)	(145)
Cost of labor	(193)	40	2	(151)
Occupancy and other	(157)	35	(2)	(124)
Restaurant profit	\$ 90	\$ (11)	\$ 6	\$ 85
Restaurant Margin	14.4%			16.8%

In the quarter ended March 23, 2013, the decrease in U.S. Company sales and Restaurant profit associated with store portfolio actions was primarily driven by refranchising, partially offset by new unit development. Significant other factors impacting Company sales and/or Restaurant profit were same-store sales growth of 2%.

Franchise and License Fees and Income

	Quarter ended		% Increase (Decrease)	% Increase (Decrease) Excluding FX
	3/23/2013	3/24/2012		
	China	\$ 18	\$ 19	(4)
YRI	225	199	13	13
U.S.	190	178	7	N/A
India	3	3	3	7
Worldwide	\$ 436	\$ 399	9	9

China Franchise and license fees and income for the quarter ended March 23, 2013, excluding the impact of foreign currency translation, decreased due to same-store sales declines partially offset by refranchising and new unit development.

YRI Franchise and license fees and income for the quarter ended March 23, 2013 increased due to new unit development, transfer and renewal fees from a major franchise ownership change and refranchising, primarily the Pizza Hut UK dine-in business.

U.S. Franchise and license fees and income for the quarter ended March 23, 2013 increased due to refranchising and new unit development.

General and Administrative Expenses

	Quarter ended		% Increase (Decrease)	% Increase (Decrease) Excluding FX
	3/23/2013	3/24/2012		
China	\$ 55	\$ 48	16	14
YRI	74	82	(11)	(11)
U.S.	94	96	(3)	N/A
India	4	4	31	36
Unallocated	46	42	11	N/A
Worldwide	\$ 273	\$ 272	—	—

China G&A expenses for the quarter ended March 23, 2013, excluding the impact of foreign currency translation, increased due to increased compensation costs due to higher headcount and wage inflation and additional G&A as a result of consolidating Little Sheep.

YRI G&A expenses for the quarter ended March 23, 2013 decreased due to the refranchising of our remaining Company-owned Pizza Hut UK dine-in restaurants in the fourth quarter of 2012 and a pension curtailment gain related to one of our UK plans.

U.S. G&A expenses for the quarter ended March 23, 2013 decreased due to refranchising.

Unallocated G&A expenses for the quarter ended March 23, 2013 increased due to a pension settlement charge of \$10 million partially offset by lower meeting and convention costs and lower incentive compensation costs.

Franchise and License Expenses

	Quarter ended		% Increase (Decrease)	% Increase (Decrease) Excluding FX
	3/23/2013	3/24/2012		
China	\$ 2	\$ 1	51	49
YRI	12	10	9	8
U.S.	16	15	18	N/A
India	—	—	NM	NM
Worldwide	\$ 30	\$ 26	16	15

China Franchise and license expenses for the quarter ended March 23, 2013, excluding foreign currency translation, increased due to higher franchise-related rent expense and depreciation as a result of refranchising.

YRI Franchise and license expenses for the quarter ended March 23, 2013, excluding the impact of foreign currency translation, increased due to higher franchise-related rent expense and depreciation as a result of refranchising and new unit development.

U.S. Franchise and license expenses for the quarter ended March 23, 2013 increased due to higher franchise marketing costs and higher franchise-related rent expense and depreciation as a result of refranchising.

Worldwide Other (Income) Expense

	Quarter ended	
	3/23/2013	3/24/2012
Equity income from investments in unconsolidated affiliates	\$ (7)	\$ (13)
Gain upon acquisition of Little Sheep ^(a)	—	(74)
Foreign exchange net (gain) loss and other ^(b)	(1)	8
Other (income) expense	\$ (8)	\$ (79)

(a) See Note 4 for further discussion of the acquisition of Little Sheep.

(b) The quarter ended March 24, 2012 includes \$6 million of deal costs related to the acquisition of Little Sheep that were allocated to the China Division for performance reporting purposes.

Worldwide Closure and Impairment Expense and Refranchising (Gain) Loss

See the Store Portfolio Strategy section for more detail of our refranchising activity and Note 4 for a summary of the Closure and impairment (income) expenses and Refranchising (gain) loss by reportable operating segment.

Operating Profit

	Quarter ended		
	3/23/2013	3/24/2012	% B/(W)
China	\$ 154	\$ 256	(40)
YRI	199	168	19
U.S.	165	158	5
India	(2)	1	NM
Unallocated and General and administrative expenses	(46)	(42)	(11)
Unallocated Occupancy and other	—	4	NM
Unallocated Other income (expense)	—	74	NM
Unallocated Refranchising gain (loss)	17	26	(35)
Operating Profit	<u>\$ 487</u>	<u>\$ 645</u>	(25)
China Operating margin	13.4 %	21.0%	(7.6) ppts.
YRI Operating margin	29.9 %	23.7%	6.2 ppts.
U.S. Operating margin	23.7 %	19.7%	4.0 ppts.
India Operating margin	(11.8)%	5.3%	(17.1) ppts.

China Division Operating Profit decreased 40% in the quarter ended March 23, 2013, including a 1% favorable impact from foreign currency translation. Excluding foreign currency, the decrease was driven by the impact of a same store sales decline and higher restaurant operating costs, partially offset by the impacts of the Little Sheep acquisition and new unit development.

YRI Division Operating Profit increased 19% in the quarter ended March 23, 2013, including 11% due to the impacts of transfer and renewal fees from a major franchise ownership change, a pension curtailment gain and the effects of the fourth quarter 2012 Pizza Hut UK Dine-in refranchising. Other factors impacting YRI Operating Profit were the positive effects of same-store sales growth and new unit development, partially offset by higher restaurant operating costs. Foreign currency translation had a negligible impact on YRI operating profit for the quarter ended March 23, 2013.

U.S. Operating Profit increased 5% in the quarter ended March 23, 2013. The increase was driven by the impact of same store sales growth and new unit development, partially offset by the impacts of refranchising and closures.

Unallocated Other income (expense) for the quarter ended March 24, 2012 included a non-cash pre-tax gain of \$74 million related to our acquisition of Little Sheep in the first quarter of 2012. See Note 4.

Unallocated Refranchising gain (loss) for the quarter ended March 24, 2012 included a \$45 million pre-tax gain related to our U.S. refranchising and a pre-tax non-cash impairment charge of \$20 million related to our decision to sell our Company-owned Pizza Hut UK dine-in restaurants. See Note 4.

Interest Expense, Net

	Quarter ended		
	3/23/2013	3/24/2012	% B/(W)
Interest expense	\$ 33	\$ 40	18
Interest income	(2)	(3)	(44)
Interest expense, net	<u>\$ 31</u>	<u>\$ 37</u>	16

Interest expense, net decreased 16% for the quarter ended March 23, 2013 due to lower average borrowings outstanding compared to the prior quarter.

Income Taxes

	Quarter ended	
	3/23/2013	3/24/2012
Income taxes	\$ 120	\$ 147
Effective tax rate	26.4%	24.1%

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

Our effective tax rate for the quarter ended March 23, 2013 was higher than the prior year primarily due to lapping the impact of the \$74 million gain recognized upon our acquisition of additional interest in Little Sheep, which resulted in no related tax expense.

Consolidated Cash Flows

Net cash provided by operating activities was \$401 million versus \$473 million in 2012. The decrease was driven by lower operating profit before Special Items.

Net cash used in investing activities was \$153 million versus \$391 million in 2012. The decrease was primarily driven by lapping the acquisition of Little Sheep and release of related restricted cash. See Note 4.

Net cash used in financing activities was \$259 million versus \$188 million in 2012. The increase was driven by increased share repurchases and dividends.

Liquidity and Capital Resources

Operating in the QSR industry allows us to generate substantial cash flows from the operations of our company stores and from our extensive franchise operations which require a limited YUM investment. Net cash provided by operating activities has exceeded \$1 billion in each of the last eleven fiscal years, including over \$2 billion in both 2012 and 2011. We expect these levels of net cash provided by operating activities to continue in the foreseeable future. However, unforeseen downturns in our business could adversely impact our cash flows from operations from the levels historically realized.

In the event our cash flows are negatively impacted by business downturns, we believe we have the ability to temporarily reduce our discretionary spending without significant impact to our long-term business prospects. Our discretionary spending includes capital spending for new restaurants, acquisitions of restaurants from franchisees, repurchases of shares of our Common Stock and dividends paid to our shareholders. As of March 23, 2013 we also had approximately \$1.2 billion in unused capacity under our revolving credit facility that expires in November 2017.

China and YRI represented more than 70% of the Company's segment operating profit in 2012 and both generate a significant amount of positive cash flows that we have historically used 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. business 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.

We currently have investment-grade ratings from Standard & Poor's Rating Services (BBB) and Moody's Investors Service (Baa3). While we do not anticipate a downgrade in our credit rating, a downgrade would increase the Company's current borrowing costs and could impact the Company's ability to access the credit markets cost-effectively, if necessary. Based on the amount and composition of our debt at March 23, 2013, which included no borrowings outstanding under our credit facility, our interest expense would not materially increase on a full year basis should we receive a one-level downgrade in our ratings.

Discretionary Spending

In the quarter ended March 23, 2013, we invested \$237 million in capital spending, including \$144 million in China, \$57 million in YRI, \$30 million in the U.S., and \$6 million in India.

In the quarter ended March 23, 2013, we repurchased shares for \$78 million. At March 23, 2013, we had remaining capacity to repurchase up to \$875 million (excluding applicable transaction fees) of our outstanding Common Stock through May 2014 under the November 2012 authorization. See Note 3.

During the quarter ended March 23, 2013, we paid cash dividends of \$151 million. Additionally, on March 22, 2013 our Board of Directors approved a cash dividend of \$0.335 per share of Common Stock, to be distributed on May 3, 2013 to shareholders of record at the close of business on April 12, 2013. The Company is targeting an ongoing annual dividend payout ratio of 35% to 40% of net income.

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 or banker's acceptances, where applicable. At March 23, 2013, our unused Credit Facility totaled \$1.2 billion net of outstanding letters of credit of \$63 million and no outstanding borrowings. The interest rate for most 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 will depend upon our performance under specified financial criteria. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

The Credit Facility is unconditionally guaranteed by our principal domestic subsidiaries. This agreement contains financial covenants relating to maintenance of leverage and fixed-charge coverage ratios and also contains affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. Given the Company's strong balance sheet and cash flows we were able to comply with all debt covenant requirements at March 23, 2013 with a considerable amount of cushion. Additionally, the Credit Facility contains 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 2014 through 2037 and interest rates ranging from 2.38% to 6.88%. The Senior Unsecured 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 \$2.8 billion at March 23, 2013. Our Senior Unsecured Notes provide that 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 if such acceleration is not annulled, or such indebtedness is not discharged, within 30 days after notice.

Recently Adopted Accounting Pronouncements

See Note 5 for further details of recently adopted accounting pronouncements.

New Accounting Pronouncements Not Yet Adopted

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-05, *Foreign Currency Matters, (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05), to resolve a diversity in accounting for the cumulative translation adjustment of foreign currency upon derecognition of a foreign subsidiary or group of assets. ASU 2013-05 requires the parent to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Further, ASU 2013-05 clarified that the parent should apply the guidance in subtopic 810-10 if

there is a sale of an investment *in* a foreign entity, including both (1) events that result in the loss of a controlling financial interest in a foreign entity and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. ASU 2013-05 is effective prospectively for the Company in our first quarter of fiscal 2014, with early adoption permitted. We do not believe the adoption of this standard will have a significant impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes during the quarter ended March 23, 2013 to the disclosures made in Item 7A of the Company's 2012 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 Chairman and 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 significant 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 23, 2013.

Cautionary Note Regarding Forward-Looking Statements

From time to time, in both written reports and oral statements, we present "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan" or other similar terminology. These forward-looking statements are based on current expectations and assumptions and upon data available at the time of the statements and are neither predictions nor guarantees of future events or performance. The forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected. 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 additional 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 29, 2012 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 29, 2012. 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 23, 2013 and the related condensed consolidated statements of income, comprehensive income and cash flows for the twelve weeks ended March 23, 2013 and March 24, 2012. These condensed consolidated financial statements are the responsibility of YUM’s management.

We conducted our reviews 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 reviews, 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 29, 2012, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity (deficit) for the fiscal year then ended (not presented herein); and in our report dated February 19, 2013, 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 29, 2012, 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 29, 2013

PART II – Other Information and Signatures

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 13 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 29, 2012.

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

The following table provides information as of March 23, 2013 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)
Period 1 12/30/12-1/26/13	—	N/A	—	\$953
Period 2 1/27/13-2/23/13	742	\$64.51	742	\$905
Period 3 2/24/13-3/23/13	456	\$65.67	456	\$875
Total	1,198	\$64.95	1,198	\$875

In November 2012, our Board of Directors authorized share repurchases through May 2014 of up to \$1 billion (excluding applicable transaction fees) of our outstanding Common Stock. For the quarter ended March 23, 2013 all share repurchases were made under this authorization.

Item 6. Exhibits

(a) Exhibit Index

EXHIBITS

Exhibit 10.7.2	YUM! Brands Pension Equalization Plan Amendment as effective January 1, 2012
Exhibit 10.7.3	YUM! Brands Pension Equalization Plan Amendment as effective January 1, 2013
Exhibit 10.9	Form of YUM! Brands, Inc. Change in Control Severance Agreement, which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on 8-K filed on March 21, 2013.
Exhibit 10.15.1	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Options)
Exhibit 10.18.1	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Appreciation Rights)
Exhibit 15	Letter from KPMG LLP regarding Unaudited Interim Financial Information (Acknowledgement of Independent Registered Public Accounting Firm).
Exhibit 31.1	Certification of the Chairman and 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 Chairman and 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 29, 2013

/s/ David E. Russell

Vice President, Finance and Corporate Controller

(Principal Accounting Officer)

**AMENDMENT TO THE
YUM! BRANDS PENSION EQUALIZATION PLAN**

The Yum! Brands Pension Equalization Plan (the "Plan") is amended as set forth in the attached document, effective as of the beginning of the day on January 1, 2012.

YUM! BRANDS, INC.

By: /s/ Anne Byerlein
Anne Byerlein
Chief People Officer

January 24, 2013
Signature Date

Agreement and Acceptance

I, David C. Novak, acknowledge that the effect of this Amendment is - (i) to reduce the Pension that otherwise would be payable to me under the Plan to the accrued benefit in effect at the beginning of the day on January 1, 2012, and (ii) to provide for its reduction for early commencement prior to June 1, 2016, and I agree to and accept the terms of this Amendment.

By: /s/ David C. Novak
David C. Novak
Chairman and Chief Executive Officer

January 24, 2013
Signature Date

The document for the PEP 409A Program is amended as set forth below.

1. Appendix Article C is re-designated as Appendix Article D, and each Section of the re-designated Appendix Article D that has a designation that begins with an initial "C" shall be re-designated to begin with an initial "D". References to Appendix Article C that currently appear in the text of the Plan, shall be revised to reference Appendix Article D to the 409A Program. References that currently appear in the text of the Plan, to a Section of the prior Appendix Article C (*i.e.*, as previously designated), shall be revised to reference such Section as it has been re-designated with an initial "D".
2. A new Appendix Article C is added to read as follows:

APPENDIX ARTICLE C

CEO's Pension

C.1 Scope and Purpose. This Appendix Article C applies solely to determine the amount of the Pension payable to the Participant who is the Chairman and CEO of Yum! Brands, Inc. as of January 1, 2012, David C. Novak (the "Applicable Participant"). Nothing in this Appendix Article C shall alter the time or form of payment of such Pension, which shall continue to be governed by the main provisions of the 409A Program.

C.2 Freeze as of January 1, 2012. Effective as of the beginning of the day on January 1, 2012, the Pension payable to or on behalf of the Applicable Participant (including any Pre-Retirement Spouse's 409A Pension) shall be fixed and frozen at the level in effect for the Applicable Participant as of immediately prior to January 1, 2012. Accordingly -

(a) The Applicable Participant's Credited Service and Highest Average Monthly Earnings shall be frozen and shall remain thereafter at the exact amounts of each that the Applicable Participant had under the Plan as of immediately prior to January 1, 2012, and

(b) The Applicable Participant's Total Pension (including any PEP Guarantee) and Salaried Plan Pension shall be frozen and shall remain thereafter at the exact amount of each that the Applicable Participant had under the Plan as of immediately prior to January 1, 2012.

The conversion to a Single Lump Sum of a benefit frozen under this Section C.2 shall be governed by the Actuarial Equivalent factors in effect for such conversion immediately prior to January 1, 2012.

C.3 Early Commencement Reduction. Effective as of the beginning of the day on January 1, 2012, for purposes of determining the Pension payable to or on behalf of the Applicable Participant (including any Pre-Retirement Spouse's 409A Pension) (the "Reducible Pension") , there shall be a reduction for early commencement of the Applicable Participant's Reducible Pension of 0.33⅓ % for each month that the Applicable Participant's Reducible Pension commences prior to June 1, 2016. For this purpose, "early commencement" refers to commencing the Applicable Participant's Reducible Pension prior to his Normal Retirement Date. Such reduction shall apply in lieu of the reduction that would ordinarily apply under the Plan's main provisions in connection with an early commencement.

**AMENDMENT TO THE
YUM! BRANDS PENSION EQUALIZATION PLAN**

The Yum! Brands Pension Equalization Plan (the "Plan") is amended as set forth in the attached document, effective as of the beginning of the day on January 1, 2013.

YUM! BRANDS, INC.

By: /s/ Anne Byerlein
Anne Byerlein
Chief People Officer

January 24, 2013
Signature Date

Agreement and Acceptance

I, David C. Novak, acknowledge that the effect of this Amendment is to convert my Pension from PEP to one that is based on an account, with an opening value on January 1, 2013 that is equal to the proxy value of my PEP Pension on December 31, 2012 (rounded up to the nearest \$100,000), and I agree to and accept the terms of this Amendment.

By: /s/ David C. Novak
David C. Novak
Chairman and Chief Executive Officer

January 24, 2013
Signature Date

The document for the PEP 409A Program is amended to revise Appendix Article C (“CEO's Pension”) so that it reads as follows:

APPENDIX ARTICLE C

CEO's Pension

C.1 Scope and Purpose. This Appendix Article C applies solely to determine the amount of the Pension payable to the Participant who is the Chairman and CEO of Yum! Brands, Inc. as of January 1, 2012, David C. Novak (the “Applicable Participant”). Nothing in this Appendix Article C shall alter the time or form of payment of such Pension, which shall continue to be governed by the main provisions of the 409A Program.

C.2 Freeze as of January 1, 2012. Subject to Section C.4 below, effective as of the beginning of the day on January 1, 2012, the Pension payable to or on behalf of the Applicable Participant (including any Pre-Retirement Spouse's 409A Pension) shall be fixed and frozen at the level in effect for the Applicable Participant as of immediately prior to January 1, 2012. Accordingly -

(a) The Applicable Participant's Credited Service and Highest Average Monthly Earnings shall be frozen and shall remain thereafter at the exact amounts of each that the Applicable Participant had under the Plan as of immediately prior to January 1, 2012, and

(b) The Applicable Participant's Total Pension (including any PEP Guarantee) and Salaried Plan Pension shall be frozen and shall remain thereafter at the exact amount of each that the Applicable Participant had under the Plan as of immediately prior to January 1, 2012.

The conversion to a Single Lump Sum of a benefit frozen under this Section C.2 shall be governed by the Actuarial Equivalent factors in effect for such conversion immediately prior to January 1, 2012.

C.3 Early Commencement Reduction. Subject to Section C.4 below, effective as of the beginning of the day on January 1, 2012, for purposes of determining the Pension payable to or on behalf of the Applicable Participant (including any Pre-Retirement Spouse's 409A Pension) (the “Reducible Pension”), there shall be a reduction for early commencement of the Applicable Participant's Reducible Pension of 0.33 $\frac{1}{3}$ % for each month that the Applicable Participant's Reducible Pension commences prior to January 1, 2016. For this purpose, “early commencement” refers to commencing the Applicable Participant's Reducible Pension prior to his Normal Retirement Date. Such reduction shall apply in lieu of the reduction that would ordinarily apply under the Plan's main provisions in connection with an early commencement.

C.4 Determination of Pension Beginning January 1, 2013. Notwithstanding Sections C.2 and C.3 above and Sections 5.1, 5.2 and 5.3, effective as of the beginning of the day on January 1, 2013, the amount of (i) the Applicable Participant's Pension, and (ii) any benefits paid on behalf of the Applicable Participant (including the Pre-Retirement Spouse's 409A Pension) shall not be determined under Sections C.2 and C.3 above and Sections 5.1, 5.2 and 5.3, but shall be determined under the following subsections. For purposes of the following subsections, all terms that are written with initial capital letters (but which are not defined terms in this Appendix Article C nor the main provisions of the Plan) shall have the definitions provided in the Leadership Retirement Plan (the "LRP"), but with any modifications that are specified in the following subsections.

(a) Account Balance. The Applicable Participant's Pension, expressed as a single lump sum, shall be determined based on the balance standing to his credit in the account maintained for the Applicable Participant (the "Account").

(b) Initial Account Balance. The initial balance in the Account, as of January 1, 2013, shall be \$27,600,000, which is the present value (using the Company's 2013 proxy assumptions, and with rounding up to the nearest \$100,000) of the Applicable Participant's benefit under the Plan as of the end of the day on December 31, 2012.

(c) Adjustment for Earnings. Following January 1, 2013, the balance in the Account shall be adjusted for earnings, in the same manner as applies under the LRP (applying the Earnings Credit for a period before taking into account any Employer Credits that are credited to the Account since the last Valuation Date), except that the Earnings Rate used to determine the Applicable Participant's Earnings Credit shall be equal to 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Code) based on the duration of the period between the regularly scheduled Valuation Dates (currently one year). This Earnings Rate is subject to change to the extent permitted under the LRP. To calculate the Applicable Participant's Earnings Credit in the same manner as under the LRP, *i.e.*, based on Years of Participation, the Applicable Participant shall be treated as if (i) his participation in the Account commenced on January 1, 2013, and (ii) his participation in the Account ends on his Termination Date. Accordingly, the Applicable Participant shall be entitled to an Earnings Credit for 2013 based on his being an active Participant as of the beginning of the day on January 1, 2013, calculated relative to his initial Account Balance as of such date.

(d) The Company shall credit an Employer Credit to the Applicable Participant's Account at the same time and in the same manner as applies under the LRP. The Employer Credit Percentage shall be 9.5% unless the Company specifies a different percentage for one or more years prior to the date applicable for crediting Employer Credits under the LRP for any such year. This Employer Credit Percentage shall be applied to the Applicable Participant's Base Compensation and Bonus Compensation in the manner provided under the LRP.

(e) Distribution Valuation. Subject to subsection (f) below, the Applicable Participant's Account shall be valued in connection with any distribution in the same manner as applies under the LRP.

(f) Distribution at Death. In the event of the Applicable Participant's death, a distribution of 50% of the Applicable Participant's Account shall be distributed in the form and at the time that applies under this Plan, with such distribution being made to the Beneficiary of the Applicable Participant, determined in the manner applicable under the LRP.

YUM! BRANDS, INC.

1999 LONG TERM INCENTIVE PLAN

FORM OF GLOBAL NON-QUALIFIED STOCK OPTION AGREEMENT

AGREEMENT made as of the ___ day of _____, 20___, by and between YUM! Brands, Inc., a North Carolina corporation having its principal office at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A. (“YUM!”) and the Optionee.

W I T N E S S E T H:

WHEREAS, the shareholders of YUM! approved the YUM! Brands, Inc. 1999 Long Term Incentive Plan (the “Plan”), for the purposes and subject to the provisions set forth in the Plan;

WHEREAS, pursuant to authority granted to it in said Plan, the Management Planning and Development Committee of the Board of Directors of YUM! (the “Committee”), has granted to the Optionee options to purchase the number of shares of YUM! common stock set forth below;

WHEREAS, options granted under the Plan are to be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee shall determine;

WHEREAS, capitalized terms used but not defined in this Global Non-Qualified Stock Option Agreement shall have the meaning set forth in the Plan;

NOW, THEREFORE, it is mutually agreed as follows:

1. **Grant.** In consideration of the Optionee remaining in the employ of YUM!, or one of its divisions or direct or indirect Subsidiaries (collectively the “Company”), YUM! hereby grants to the Optionee, on the terms and conditions set forth in this Global Stock Option Agreement, including any country-specific terms and conditions for the Optionee’s country set forth in the attached appendix (the “Appendix” and together with the Global Non-Qualified Stock Option Agreement, the “Agreement”) and the Plan, the right and option to purchase shares of YUM!’s common stock, with no par value, at a price of \$_____ per share (the “Exercise Price”), which was the Closing Value (as defined below) of YUM! common stock on _____, 20___, the date of grant. The right to purchase each such share is referred to herein as an “Option”.

2. **Exercisability.** The Options will become exercisable at a rate of 25% of the total shares granted per year beginning on the first anniversary of the grant (*i.e.*, _____, 20___), provided the Optionee remains continuously employed by the Company through the applicable vesting date. Exercisable Options must be exercised no later than 4PM Eastern Standard Time (“EST”), _____, 20___. (The time during which Options are exercisable is referred to as the “Option Term.”) If the expiration date falls on a New York Stock Exchange market holiday or weekend, 4PM EST will mean the business day prior to the expiration date. Once exercisable and until terminated, all or a portion of the exercisable Options may be exercised from time to time and at any time under procedures that the Committee shall establish from time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of Options which may be exercised at any time. Fractional Options may not be exercised and no fractional shares shall be purchasable or deliverable hereunder. No omission to exercise an Option shall result in the lapse of any other Option granted hereunder until the termination of such Option. The Options shall terminate and expire no later than the end of the Option Term.

3. Exercise Procedure. Subject to the terms and conditions set forth herein, Options may be exercised by giving notice of exercise to Merrill Lynch, the contract administrator (or any other vendor designated by YUM!) in the manner specified from time to time by YUM! or the stock plan administrator. The aggregate Exercise Price for the shares being purchased, together with any Tax-Related Items (as defined in Section 6 below) the Company may be required to withhold upon such exercise, must be paid in full at the time of issuance of such shares, which may be by (i) for Optionees who reside in the U.S. only, tendering previously acquired shares of YUM! common stock (or delivering a certification of ownership of such shares), or (ii) through a “cashless exercise” (subject to applicable legal restrictions).

4. Effect of Termination of Employment, Death, Retirement and Total Disability.

(a) The Optionee shall have a period of 90 days after termination of active employment with the Company (as determined subject to Section 7(g) below) to exercise such vested or previously exercisable options as of the Optionee's last day of active employment, but such exercise period shall not extend beyond the end of the Option Term. After the 90-day period, the Options shall automatically expire upon, and no Option may be exercised; provided, however, that if such termination occurs by reason of the Optionee's death, Retirement (as defined in Section 25 below) or Total Disability (as defined in Section 25 below), then all Options which are otherwise exercisable on the Optionee's last day of active employment may be exercised by the Optionee's designated beneficiary (or, if none, his or her legal representative), in the event of death of the Optionee, or by the Optionee, in the event of Retirement or Total Disability, during the Option Term in accordance with this Agreement.

(b) In the event the Optionee's employment with the Company is terminated by reason of Retirement or death, the Options will pro rata vest on a monthly basis such that a portion of the Optionee's otherwise unvested Options will vest based upon the time the Optionee was employed during the vesting period up to the last day of active employment (as determined in accordance with Section 7(g) below). The vested Options may be exercised during the Option Term in accordance with this Agreement.

(c) In the event the Optionee's employment with the Company is involuntarily terminated without cause and solely as a result of (i) a disposition (or similar transaction) with respect to an identifiable Company business or segment (“Business”), and in accordance with the terms of the transaction, the Optionee and a substantial portion of the other employees of the Business continue in employment with such Business or commence employment with its acquiror, (ii) the elimination of the Optionee's position within the Company, (iii) the selection of the Optionee for work force reduction (whether voluntary or involuntary), or (iv) other termination by the Company other than for cause, the Options will pro rata vest on a monthly basis such that a portion of the Optionee's otherwise unvested Options will vest based upon the time the Optionee was employed during the vesting period up to the last day of active employment (as determined in accordance with Section 7(g) below). The Optionee shall have a period of 90 days after termination of active employment (as determined in accordance with Section 7(g) below) to exercise such vested or previously exercisable options, but such exercise period shall not extend beyond the end of the Option Term.

5. Misconduct and Repayment upon Restatement.

(a) In the event the Committee determines in its sole discretion that the Optionee has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, or (iii) engaged in any conduct which is injurious to the Company including diverting employees of the Company to leave the

Company without the Company's prior consent, then YUM! may terminate all of the Optionee's outstanding Option Award and the Optionee shall forfeit all rights to any unexercised Option Award granted hereunder.

(b) The Committee *may* cancel, rescind, suspend, withhold or otherwise limit or restrict the Option Award if there is a material restatement of the Company's financial statements that is completely or partially caused by misconduct by an executive officer of the Company, and the Optionee would unfairly profit if the cancellation, rescission, suspension, withholding, or limitation did not occur, as determined by the Committee; provided that the Committee's notification of the rescission is made no later than one year after the restated financial statements are issued.

(c) If there is a material restatement of the Company's financial statements that is completely or partially caused by misconduct by an executive officer of the Company, any exercise of the Option Award occurring within 12 months after the restated year (or other restated period) *may* be rescinded by the Committee, if the Committee concludes that the repayment is necessary to prevent the Optionee from unfairly benefiting from an exercise following the restatement, provided that the rescission under this Section (c) shall be effective only if all of the following apply:

(1) The Committee notifies the Optionee of the rescission no later than one year after the restated financial statements are issued, and

(2) The Committee reasonably determines that, prior to the time the Option was exercised, such Optionee both (i) knew or should have known of the inaccuracy of the financial statements that were restated, and (ii) knew or should have known that the inaccuracy was caused by misconduct.

In the event of any such rescission, the Optionee (regardless of whether then employed) shall pay to the Company the amount of any gain realized as a result of the rescinded exercise (determined as of the time of exercise), in such manner and on such terms and conditions as may be required by the Company, provided that the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Optionee by the Company.

(d) If the Optionee is an executive officer of the Company, and there is a material restatement of the Company's financial statements and such material restatement was caused by the Optionee's misconduct, the Committee *shall* cancel the Optionee's Option Award (to the extent permitted under applicable law). Further, any exercise of the Option occurring within 12 months after the restated year (or other restated period) *shall* be rescinded by the Committee (to the extent permitted under applicable law), provided that the rescission shall be effective only if the Committee notifies the Optionee of the rescission no later than one year after the restated financial statements are issued. In the event of any such rescission, the Optionee (regardless of whether then employed) shall pay to the Company the amount of any gain realized as a result of the rescinded exercise (determined as of the time of exercise), in such manner and on such terms and conditions as may be required by the Company, provided that the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Optionee by the Company.

(e) This Agreement is a voluntary agreement, and each Optionee who has accepted the Agreement has chosen to do so voluntarily. The Optionee understands that all Options provided under the Agreement and all amounts paid to the Optionee under the Agreement are provided as an advance that is contingent on the Company's financial statements not being subject to a material restatement. As a condition of the Agreement, the Optionee specifically agrees that the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict the Option Award for any individual party to such an agreement due to a material restatement of the Company's financial statements, as provided in this Section 5 including all subsections

(a) through (g). In the event that amounts have been paid to an individual pursuant to the Agreement and the Committee determines that the individual must repay an amount to the Company as a result of the Committee's cancellation, rescission, suspension, withholding or other limitation or restriction of rights, the Optionee agrees, as a condition of being awarded such rights, to make such repayments.

(f) The Board may reduce the amount to be recouped under the foregoing provisions of this Section 5 based on such factors as the Board determines in its sole discretion to be relevant. Such factors may include, without limitation, the extent to which the gain is determined to be attributable to events prior to the restated year (or other period), and whether the Optionee continued to hold the Stock acquired upon the exercise of the Option during a period in which the value of the Stock declined.

(g) For purpose of this Section 5, (i) the term "misconduct" means fraudulent or illegal conduct or omission that is knowing or intentional; (ii) no conduct or omission shall be deemed "knowing" by a Optionee unless done, or omitted to be done, by the Optionee not in good faith and without reasonable belief that the Optionee's action or omission was in the best interest of the Company; and (iii) a buy out of the Option Award in accordance with Section 11 shall be treated as the exercise of the Option. Sections (b) through (f) above shall apply only to Awards granted after December 31, 2008.

6. Responsibility for Taxes. Regardless of any action YUM! or the Optionee's employer (if different) (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Optionee's participation in the Plan that are legally applicable to the Optionee ("Tax-Related Items"), the Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains his or her responsibility and that such liability may exceed the amount actually withheld by YUM! or the Employer. The Optionee further acknowledges that YUM! and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, the subsequent sale of shares acquired under the Plan and the receipt of any dividends; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Optionee becomes subject to tax and/or social security contributions in more than one jurisdiction between the date of grant and the date of any relevant taxable, tax and/or social security contribution withholding event, as applicable, the Optionee acknowledges that YUM! and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable, tax and/or social security contribution withholding event, the Optionee shall pay or make adequate arrangements satisfactory to YUM! and/or the Employer to satisfy all Tax-Related Items. In this regard, the Optionee authorizes YUM! and/or the Employer, at their sole discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following: (i) withholding from the Optionee's wages or other cash compensation paid to him or her by YUM! and/or the Employer; or (ii) withholding from the proceeds of the sale of shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by YUM! (on the Optionee's behalf pursuant to this authorization); or (iii) withholding in shares to be issued upon exercise of the Option. To avoid negative accounting treatment, the Company will withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, the Optionee will be deemed to have been issued the full number of shares subject to the exercised Option, notwithstanding that a number of shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Optionee's participation in the Plan.

Finally, the Optionee shall pay to YUM! or the Employer any amount of Tax-Related Items that YUM! or the Employer may be required to withhold or account for as a result of Optionee's participation in the Plan or Optionee's acquisition of shares upon exercise of the Option that cannot be satisfied by the means previously described. YUM! may refuse to honor the exercise and refuse to issue or deliver the shares or the proceeds of the sale of the shares to the Optionee if the Optionee fails to comply with Optionee's obligations in connection with the Tax-Related Items.

7. Nature of Grant. In accepting the Option, the Optionee acknowledges, understands and agrees that:
- (a) the Plan is established voluntarily by YUM! and is discretionary in nature;
 - (b) all decisions with respect to future option grants, if any, will be at the sole discretion of YUM!;
 - (c) the Option and any shares acquired under the Plan are not part of normal or expected compensation or salary;
 - (d) the Option grant and the Optionee's participation in the Plan shall not be interpreted to form an employment contract or relationship with YUM! or the Employer or any Subsidiary or affiliate of YUM!;
 - (e) the future value of the underlying shares is unknown and cannot be predicted with certainty;
 - (f) if the underlying shares do not increase in value, the Option will have no value;
 - (g) in the event of involuntary termination of Optionee's employment (whether or not in breach of local labor laws), the Optionee's right to receive the Option and vest in the Option under the Plan, if any, will terminate effective as of the date that Optionee is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of involuntary termination of employment (whether or not in breach of local labor laws), the Optionee's right to exercise the Option after termination of employment, if any, will be measured by the date of termination of Optionee's active employment and will not be extended by any notice period mandated under local law. The Committee shall have the exclusive discretion to determine when the Optionee is no longer actively employed for purposes of his or her Option grant;
 - (h) for Optionees who reside outside the U.S., the following additional provisions shall apply:
 - (i) the Option and any shares acquired under the Plan are not intended to replace any pension rights or compensation;
 - (ii) the Option and the shares acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to YUM! or to the Employer and are outside the scope of the Optionee's employment contract, if any; such items shall not be included in or part of any calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no

event should be considered as compensation for, or relating in any way to, past services for YUM! or the Employer; and

- (iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of the Optionee's employment by YUM! or the Employer (whether or not in breach of local labor laws) and in consideration of the grant of the Option to which the Optionee is otherwise not entitled, the Optionee irrevocably agrees never to institute any claim against the Company, waives his or her ability, if any, to bring any such claim and releases the Company from any such claim if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims.

8. No Advice Regarding Grant. YUM! is not providing any tax, legal or financial advice, nor is YUM! making any recommendations regarding the Optionee's participation in the Plan, or his or her acquisition or sale of the underlying shares. The Optionee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Optionee's participation in the Plan before taking any action related to the Plan.

9. Adjustment for Change in Common Stock. In the event of any change in the outstanding shares of YUM! common stock by reason of any stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the number of shares which the Optionee may purchase pursuant to the Options and the Exercise Price at which the Optionee may purchase such shares shall be adjusted appropriately in the Committee's discretion.

10. Nontransferability. These Options are personal to the Optionee and, during his or her lifetime, may be exercised only by the Optionee. The Options shall not be transferable or assignable, other than by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void without the express consent of the Committee.

11. Buy-Out of Option Gains. At any time after any Option becomes exercisable, the Committee shall have the right, in its sole discretion and without the consent of the Optionee, to cancel such Option and to pay to the Optionee the difference between the Exercise Price of the Option and the Fair Market Value of the shares covered by the Options as of the date the Committee provides written notice (the "Buy Out Notice") of its intention to exercise such right. Payments of such buy out amounts pursuant to this provision shall be effected by YUM! as promptly as possible after the date of the Buy Out Notice and may be made in cash or in Stock, or partly in cash and partly in Stock as the Committee deems advisable. To the extent payment is made in Stock, the number of shares shall be determined by dividing the amount of payment to be made by the Fair Market Value of a share at the date of the Buy Out Notice. In no event shall YUM! be required to deliver a fractional share of common stock in satisfaction of this buy out provision. Payments of any such buy out amounts shall be made net of any Tax-Related Items.

12. Change in Control. Notwithstanding anything in this Agreement to the contrary (including Section 5 above), if the Optionee is employed on the date of a Change in Control (as defined in the Plan), and the Optionee's employment is involuntarily terminated (other than by the Company for cause) on or within two years following the Change in Control, the Options shall become fully and immediately exercisable. If the employment of the Optionee is terminated on or within two years following a Change in

Control, all Options shall continue to be exercisable at any time within three years after the date of such termination of employment, but in no event after the end of the Option Term.

13. Notices. Any notice to be given to YUM! under the terms of this Agreement shall be addressed to YUM! at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A., Attention: Vice President, Compensation and Benefits, or such other address (including any email address) as YUM! may hereafter designate to the Optionee. Any such notice shall be deemed to have been given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal or other official postal service for the Optionee's country.

14. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to YUM!, whether by merger, consolidation or the sale of all or substantially all of YUM!'s assets. YUM! will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of YUM! to expressly assume and agree to perform this Agreement in the same manner and to the same extent that YUM! would be required to perform if no such succession had taken place.

(b) This Agreement shall be binding upon and inure to the benefit of the Optionee or his or her legal representative and any person to whom the Options may be transferred by will, the applicable laws of descent and distribution or consent of the Committee.

15. Receipt of Prospectus. The Optionee hereby acknowledges that he or she has received a copy of YUM!'s Prospectus relating to the Options, the shares covered thereby and the Plan, and that he or she fully understands his or her rights under the Plan.

16. Plan Controls. The Options and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any Operating Guidelines or other policies or regulations which govern administration of the Plan, which shall be controlling. YUM! reserves its right to amend or terminate the Plan at any time without the consent of the Optionee, provided, however, that Options outstanding under the Plan at the time of such amendment or termination shall not be adversely affected thereby, as set forth in Section 7 of the Plan. All interpretations or determinations of the Committee shall be final, binding and conclusive upon the Optionee and his or her legal representatives on any question arising hereunder or under the Plan, the Operating Guidelines or other policies or regulations which govern administration of the Plan.

17. Data Protection. *This Section 17 applies if the Optionee resides outside the U.S. By entering into this Agreement, the Optionee:*

(a) hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this Agreement and any other grant materials, by and among, as applicable, the Employer, YUM! and any Subsidiary or affiliate of YUM!, for the exclusive purpose of implementing, administering and managing the Optionee's participation in the Plan;

(b) acknowledges that YUM! and the Employer may hold certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, details of all

Options or any other entitlement to Stock outstanding in the Optionee's favor, for the purpose of implementing, administering and managing the Plan ("Data");

(c) acknowledges and agrees that Data may be transferred to Merrill Lynch or such other service provider as may be selected by YUM!, which is assisting with the implementation, administration and management of the Plan (presently or in the future), that these recipients may be located in the Optionee's country of residence or elsewhere (e.g., the United States), and that the recipient's country may have different data privacy laws and protections to those of the Optionee's country. The Optionee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative;

(d) authorizes the Employer, YUM!, Merrill Lynch and any other possible recipients which may assist YUM! (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Optionee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Optionee may elect to deposit any shares acquired under the Plan. The Optionee understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Optionee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his local human resources representative. The Optionee understands, however, that refusing or withdrawing his or her consent may affect his or her ability to participate in the Plan. For more information on the consequences of the Optionee's refusal to consent or withdrawal of consent, the Optionee understands that he or she may contact his or her local human resources representative.

18. Rights to Future Grants; Compliance with Law. By entering into this Agreement, the Optionee acknowledges and agrees that the Award and acceptance of Options pursuant to this Agreement is voluntary and occasional and does not entitle the Optionee to future grants of stock options or other awards in the future under the Plan or any other plan, even if options have been granted repeatedly in the past. The Optionee further agrees to seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of stock options and stock and the exercise of stock options, including, without limitation, currency and exchange laws, rules and regulations. The Optionee shall have no rights as a shareholder of YUM! until the Option is exercised and shares have been issued to the Optionee.

19. Governing Law & Venue. The Optionee's participation in the Plan and this Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to the principles of conflicts of law thereof.

For purposes of litigating any dispute that arises in connection with this grant, the Optionee's participation in the Plan or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Kentucky and agree that such litigation shall be conducted in the courts of Jefferson County, Kentucky, or the federal courts for the United States for the Western District of Kentucky, where this grant is made and/or to be performed.

20. Language. If the Optionee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Optionee's participation in the Plan and on any Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local laws or to facilitate the administration of the Plan, and to require the Optionee to accept the terms of any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Appendix. Notwithstanding any provisions herein, the Optionee's participation in the Plan shall be subject to any special terms and conditions set forth in the Appendix for his or her country (attached hereto). Moreover, if the Optionee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Optionee, to the extent YUM! determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan.

25. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Closing Value" of a share of YUM! common stock shall mean an amount equal to the closing sales price of a share of YUM! common stock as reported on the composite tape for securities listed on The New York Stock Exchange, on the date in question (or, if no sales of YUM! common stock were made on said Exchange on such date, on the preceding day on which sales were made on such Exchange), rounded to two decimal places.

(b) "Retirement" shall have the meaning used in the YUM! Retirement Plan, as then in effect, whether it occurs on the Optionee's Normal Retirement Date or Early Retirement Date, or in the event the such Retirement Plan does not apply to the Optionee, "Retirement" shall mean termination of employment by the Optionee on or after the Optionee's attainment of age 55 and 10 years of service or age 65 and 5 years of service. Notwithstanding the definition of Retirement set forth immediately above, if YUM! receives an opinion of counsel that there has been a legal judgment and/or legal development in the Optionee's jurisdiction that would likely result in the favorable retirement treatment that applies to this grant under the Plan being deemed unlawful and/or discriminatory, then the Committee will not apply the favorable retirement treatment at the time of the Optionee's termination of employment and the Option shall automatically expire upon, and no Option may be exercised after, the termination of the Optionee's employment with the Company.

(c) "Total Disability" shall mean total disability of the Optionee as determined by the Committee, upon the basis of such evidence as the Committee deems necessary and advisable.

By electronically accepting the grant of the Option and participating in the Plan, the Optionee agrees to be bound by the terms and conditions in the Plan and this Agreement.

YUM! BRANDS, INC.

By _____

Anne P. Byerlein
YUM! Brands, Inc., Chief People Officer

YUM! BRANDS, INC.
1999 LONG TERM INCENTIVE PLAN

FORM OF GLOBAL YUM! STOCK APPRECIATION RIGHTS AGREEMENT

AGREEMENT made as of ___ day of _____, 20___, by and between YUM! Brands, Inc., a North Carolina corporation having its principal office at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A. (“YUM!”) and the Participant.

W I T N E S S E T H:

WHEREAS, the shareholders of YUM! approved the YUM! Brands, Inc. 1999 Long Term Incentive Plan (the “Plan”), for the purposes and subject to the provisions set forth in the Plan;

WHEREAS, pursuant to authority granted to it in said Plan, the Management Planning and Development Committee of the Board of Directors of YUM! (the “Committee”), has granted to the Participant stock appreciation rights (to be known hereinafter as “YUM! Stock Appreciation Rights”) with respect to the number of shares of YUM! common stock as set forth below;

WHEREAS, YUM! Stock Appreciation Rights granted under the Plan are to be evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee shall determine;

WHEREAS, capitalized terms used but not defined in this Global YUM! Stock Appreciation Rights Agreement shall have the meaning set forth in the Plan;

NOW, THEREFORE, it is mutually agreed as follows:

1. Grant. In consideration of the Participant remaining in the employ of YUM!, or one of its divisions or direct or indirect Subsidiaries (collectively the “Company”), YUM! hereby grants to the Participant, as of _____, 20___ (the “Grant Date”), on the terms and conditions set forth in this Global YUM! Stock Appreciation Rights Agreement, including any country-specific terms set forth in the attached appendix (the “Appendix” and together with the Global YUM! Stock Appreciation Rights Agreement, the “Agreement”) and the Plan, stock appreciation rights with respect to an aggregate number of shares of the Company's common stock, with no par value, set forth in the Participant's letter from YUM!'s Chief People Officer (the “Covered Shares”), with an Exercise Price of \$_____ per share, which was the Closing Value (as defined below) of YUM! common stock on the Grant Date. The right to receive the appreciation on each such share in accordance with this Agreement is referred to herein as a “YUM! Stock Appreciation Right”.

2. Exercisability.

(a) Provided the Participant remains continuously employed by the Company through the applicable vesting date and subject to the terms and conditions of this Agreement including, without limitation, Section 4, the YUM! Stock Appreciation Right shall vest and become exercisable (i) with respect to one-fourth (1/4) of the Covered Shares on the one-year anniversary of the Grant Date (*i.e.*, _____, 20___, which is referred to as the “Initial Vesting Date”), and (ii) after the Initial Vesting Date, with respect to an additional one-fourth (1/4) of the Covered Shares at each of (1) the two-year anniversary of the Grant Date, (2) the three-year anniversary of the Grant Date, and (3) the four-year anniversary of the Grant Date, respectively.

(b) YUM! Stock Appreciation Rights must be exercised no later than 4PM Eastern Standard Time (“EST”), _____, 20____. The time during which YUM! Stock Appreciation Rights are exercisable is referred to as the “YUM! Stock Appreciation Right Term.” If the expiration date falls on a New York Stock Exchange market holiday or weekend, 4PM EST will mean the business day prior to the expiration date.

(c) Once exercisable and until the end of the YUM! Stock Appreciation Term or such earlier date of the termination of the YUM! Stock Appreciation Right as set forth in Section 4, all or a portion of the exercisable YUM! Stock Appreciation Rights may be exercised at any time under procedures that the Committee shall establish from time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of YUM! Stock Appreciation Rights which may be exercised at any time. Fractional YUM! Stock Appreciation Rights may not be exercised. No omission to exercise a YUM! Stock Appreciation Right shall result in the lapse of any other YUM! Stock Appreciation Right granted hereunder until the forfeiture or expiration of such YUM! Stock Appreciation Right. The YUM! Stock Appreciation Rights shall terminate and expire no later than the end of the YUM! Stock Appreciation Right Term.

3. Exercise. Subject to the terms and conditions set forth herein, YUM! Stock Appreciation Rights may be exercised by giving notice of exercise to Merrill Lynch, the stock plan administrator (or any other stock plan administrator or vendor designated by YUM!) in the manner specified from time to time by YUM! or the stock plan administrator. Upon the exercise of the YUM! Stock Appreciation Right with respect to a share of Stock, the Participant shall receive an amount from the Company which is equal to the excess of the market price of a share of Stock at the time of exercise over the Exercise Price of one share of Stock. Such amount will be paid to the Participant, in shares of Stock (based on the market price of such shares at the date of exercise), and in cash with respect to any fractional shares or in a combination thereof, subject to satisfaction of all Tax-Related Items (as defined in Section 6 below).

4. Effect of Termination of Employment, Death, Retirement, and Total Disability.

(a) The Participant shall have a period of 90 days after termination of active employment with the Company (as determined in accordance with Section 7(h) below) to exercise such vested or previously exercisable YUM! Stock Appreciation Rights as of the Participant's last day of active employment, but such exercise period shall not extend beyond the end of the YUM! Stock Appreciation Right Term. After the 90-day period, the YUM! Stock Appreciation Rights shall automatically expire and no YUM! Stock Appreciation Right may be exercised; provided, however, that if such termination occurs by reason of the Participant's death, Retirement (as defined in Section 25 below) or Total Disability (as defined in Section 25 below), then all YUM! Stock Appreciation Rights which are otherwise exercisable on the Participant's last day of active employment (or become exercisable on the Participant's date of termination) may be exercised by the Participant's designated beneficiary (or, if none, his or her legal representative), in the event of Participant's death, or by the Participant, in the event of Retirement or Total Disability, during the YUM! Stock Appreciation Right Term, in accordance with this Agreement.

(b) In the event the Participant's employment with the Company is terminated by reason of Retirement or Death, the YUM! Stock Appreciation Right will pro rata vest on a monthly basis such that a portion of Participant's otherwise unvested YUM! Stock Appreciation Right will vest based upon the time the Participant was employed during the vesting period up to the last day of active employment (as determined in accordance with Section 7(h) below). The vested YUM! Stock Appreciation Right may be exercised during the YUM! Stock Appreciation Right Term in accordance with this Agreement.

(c) In the event the Participant's employment with the Company is involuntarily terminated without cause and solely as a result of (i) a disposition (or similar transaction) with respect to an identifiable Company business or segment ("Business"), and in accordance with the terms of the transaction, the Participant and a substantial portion of the other employees of the Business continue in employment with such Business or commence employment with its acquiror, (ii) the elimination of the Participant's position within the Company, (iii) the selection of the Participant for work force reduction (whether voluntary or involuntary), or (iv) other termination by the Company other than for cause, the YUM! Stock Appreciation Right will pro rata vest on a monthly basis such that a portion of the Participant's otherwise unvested YUM! Stock Appreciation Right will vest based on the time the Participant was employed during the vesting period up to the last day of active employment (as determined in accordance with Section 7(h) below). The Participant shall have a period of 90 days after termination of active employment to exercise such vested or previously exercisable YUM! Stock Appreciation Rights, but such exercise period shall not extend beyond the end of the YUM! Stock Appreciation Right Term.

5. Misconduct and Repayment upon Restatement.

(a) In the event the Committee determines in its sole discretion that the Participant has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, or (iii) engaged in any conduct which is injurious to the Company including diverting employees of the Company to leave the Company without the Company's prior consent, then YUM! may terminate all of the Participant's outstanding YUM! Stock Appreciation Rights and the Participant shall forfeit all rights to any unexercised YUM! Stock Appreciation Rights granted hereunder.

(b) The Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict the YUM! Stock Appreciation Rights if there is a material restatement of the Company's financial statements that is completely or partially caused by misconduct by an executive officer of the Company, and the Participant would unfairly profit if the cancellation, rescission, suspension, withholding, or limitation did not occur, as determined by the Committee; provided that the Committee's notification of the rescission is made no later than one year after the restated financial statements are issued.

(c) If there is a material restatement of the Company's financial statements that is completely or partially caused by misconduct by an executive officer of the Company, any exercise of the Stock Appreciation Right occurring within 12 months after the restated year (or other restated period) may be rescinded by the Committee, if the Committee concludes that the repayment is necessary to prevent the Participant from unfairly benefiting from an exercise following the restatement, provided that the rescission under this Section (d) shall be effective only if all of the following apply:

- (1) The Committee notifies the Participant of the rescission no later than one year after the restated financial statements are issued, and
- (2) The Committee reasonably determines that, prior to the time the YUM! Stock Appreciation Right was exercised, such Participant both (i) knew or should have known of the inaccuracy of the financial statements that were restated, and (ii) knew or should have known that the inaccuracy was caused by misconduct.

In the event of any such rescission, the Participant (regardless of whether then employed) shall pay to the Company the amount of any gain realized as a result of the rescinded exercise (determined as of the time of exercise), in such manner and on such terms and conditions as may be required by the Company,

provided that the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company.

(d) If the Optionee is an executive officer of the Company, and there is a material restatement of the Company's financial statements and such material restatement was caused by the Optionee's misconduct, the Committee *shall* cancel the Participant's YUM! Stock Appreciation Right Award (to the extent permitted under applicable law). Further, any exercise of the YUM! Stock Appreciation Right occurring within 12 months after the restated year (or other restated period) *shall* be rescinded by the Committee (to the extent permitted under applicable law), provided that the rescission shall be effective only if the Committee notifies the Participant of the rescission no later than one year after the restated financial statements are issued. In the event of any such rescission, the Participant (regardless of whether then employed) shall pay to the Company the amount of any gain realized as a result of the rescinded exercise (determined as of the time of exercise), in such manner and on such terms and conditions as may be required by the Company, provided that the Company shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company.

(e) This Agreement is a voluntary agreement, and each Participant who has accepted the Agreement has chosen to do so voluntarily. The Participant understands that all YUM! Stock Appreciation Rights provided under the Agreement and all amounts paid to the individual under the Agreement are provided as an advance that is contingent on the Company's financial statements not being subject to a material restatement. As a condition of the Agreement, the Participant specifically agrees that the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict the YUM! Stock Appreciation Rights for any individual party to such an agreement due to a material restatement of the Company's financial statements, as provided in this Section 5 including all subsections (a) through (f). In the event that amounts have been paid to the Participant pursuant to the Agreement and the Committee determines that the Participant must repay an amount to the Company as a result of the Committee's cancellation, rescission, suspension, withholding or other limitation or restriction of rights, the Participant agrees, as a condition of being awarded such rights, to make such repayments.

(f) The Board may reduce the amount to be recouped under the foregoing provisions of this Section 5 based on such factors as the Board determines in its sole discretion to be relevant. Such factors may include, without limitation, the extent to which the gain is determined to be attributable to events prior to the restated year (or other period), and whether the Participant continued to hold the Stock acquired upon the exercise of the YUM! Stock Appreciation Rights during a period in which the value of the Stock declined.

(g) For purpose of this Section 5, (i) the term "misconduct" means fraudulent or illegal conduct or omission that is knowing or intentional; (ii) no conduct or omission shall be deemed "knowing" by a Participant unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company; and (iii) a buy out of the YUM! Stock Appreciation Right in accordance with Section 11 shall be treated as the exercise of the Stock Appreciation Right. Sections (b) through (e) above shall apply only to Awards granted after December 31, 2008.

6. Responsibility for Taxes. Regardless of any action YUM! or the Participant's employer (if different) (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan that are legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains his or her responsibility and that such liability may exceed the amount actually withheld by YUM! or the Employer. The Participant further acknowledges that YUM! and/

or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the YUM! Stock Appreciation Right, including the grant, vesting or exercise of the YUM! Stock Appreciation Right, the subsequent sale of shares acquired under the Plan and the receipt of any dividends; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the YUM! Stock Appreciation Right to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax and/or social security contributions in more than one jurisdiction between the Grant Date and the date of any relevant taxable, tax and/or social security contribution withholding event, as applicable, the Participant acknowledges that YUM! and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable, tax and/or social security contribution withholding event, the Participant shall pay or make adequate arrangements satisfactory to YUM! and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes YUM! and/or the Employer, at their sole discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following: (i) withholding from the Participant's wages or other cash compensation paid to him or her by YUM! and/or the Employer; or (ii) withholding from the proceeds of the sale of shares acquired upon exercise of the YUM! Stock Appreciation Right, either through a voluntary sale or through a mandatory sale arranged by YUM! (on the Participant's behalf pursuant to this authorization); or (iii) withholding in shares to be issued upon exercise of the YUM! Stock Appreciation Right. To avoid negative accounting treatment, the Company will withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, the Participant will be deemed to have been issued the full number of shares subject to the exercised YUM! Stock Appreciation Right, notwithstanding that a number of shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

Finally, the Participant shall pay to YUM! or the Employer any amount of Tax-Related Items that YUM! or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan or the Participant's acquisition of shares upon exercise of the YUM! Stock Appreciation Right that cannot be satisfied by the means previously described. YUM! may refuse to honor the exercise and refuse to issue or deliver the shares or the proceeds of the sale of the shares to the Participant if the Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

7. Nature of Grant. In accepting the YUM! Stock Appreciation Right, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by YUM! and is discretionary in nature;
- (b) all decisions with respect to future stock appreciation right grants, if any, will be at the sole discretion of YUM!;
- (c) the Participant is voluntarily participating in the Plan;
- (d) the YUM! Stock Appreciation Right and any shares acquired under the Plan are not part of normal or expected compensation or salary;

- (e) the YUM! Stock Appreciation Right grant and the Participant's participation in the Plan shall not be interpreted to form an employment contract or relationship with YUM! or the Employer or any Subsidiary or affiliate of YUM!;
- (f) the future value of the underlying shares is unknown and cannot be predicted with certainty;
- (g) if the underlying shares do not increase in value, the YUM! Stock Appreciation Right will have no value;
- (h) in the event of involuntary termination of Participant's employment (whether or not in breach of local labor laws), the Participant's right to receive the YUM! Stock Appreciation Right and vest in the YUM! Stock Appreciation Right under the Plan, if any, will terminate effective as of the date that Participant is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of involuntary termination of employment (whether or not in breach of local labor laws), the Participant's right to exercise the YUM! Stock Appreciation Right after termination of employment, if any, will be measured by the date of termination of Participant's active employment and will not be extended by any notice period mandated under local law. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of his or her YUM! Stock Appreciation Right grant;
- (i) for Participants who reside outside the U.S., the following additional provisions shall apply:
 - (i) the YUM! Stock Appreciation Right and any shares acquired under the Plan are not intended to replace any pension rights or compensation;
 - (ii) the YUM! Stock Appreciation Right and the shares acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to YUM! or to the Employer and are outside the scope of Participant's employment contract, if any; such items shall not be included in or part of any calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for YUM! or the Employer; and
 - (iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the YUM! Stock Appreciation Right resulting from termination of the Participant's employment by YUM! or the Employer (whether or not in breach of local labor laws) and in consideration of the grant of the YUM! Stock Appreciation Right to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company, waives his or her ability, if any, to bring any such claim and releases the Company from any such claim if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims.

8. No Advice Regarding Grant. YUM! is not providing any tax, legal or financial advice, nor is YUM! making any recommendations regarding the Participant's participation in the Plan, or his or her acquisition or sale of the underlying shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

9. Adjustment for Change in Common Stock. In the event of any change in the outstanding shares of YUM! common stock by reason of any stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the number of shares which the Participant may purchase pursuant to the YUM! Stock Appreciation Rights and the Exercise Price at which the Participant may purchase such shares shall be adjusted appropriately in the Committee's discretion.

10. Nontransferability. These YUM! Stock Appreciation Rights are personal to the Participant and, during his or her lifetime, may be exercised only by the Participant. The YUM! Stock Appreciation Rights shall not be transferable or assignable, other than by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void without the express consent of the Committee.

11. Buy-Out of YUM! Stock Appreciation Right Gains. At any time after any YUM! Stock Appreciation Right becomes exercisable, the Committee shall have the right, in its sole discretion and without the consent of the Participant, to cancel such YUM! Stock Appreciation Right and to pay to the Participant the difference between the Exercise Price of the YUM! Stock Appreciation Right and the Fair Market Value of the shares covered by the YUM! Stock Appreciation Right as of the date the Committee provides written notice (the "Buy Out Notice") of its intention to exercise such right. Payments of such buy out amounts pursuant to this provision shall be effected by YUM! as promptly as possible after the date of the Buy Out Notice and may be made in cash or in shares of YUM! common stock, or partly in cash and partly in YUM! common stock as the Committee deems advisable. To the extent payment is made in shares of YUM! common stock, the number of shares shall be determined by dividing the amount of payment to be made by the Fair Market Value of a share at the date of the Buy Out Notice. In no event shall YUM! be required to deliver a fractional share of YUM! common stock in satisfaction of this buy out provision. Payments of any such buy out amounts shall be made net of any Tax-Related Items.

12. Change in Control. Notwithstanding anything in this Agreement to the contrary (including Section 5 above), if the Participant is employed on the date of a Change in Control (as defined in the Plan), and the Participant's employment is involuntarily terminated (other than by the Company for cause) on or within two years following the Change in Control, the YUM! Stock Appreciation Rights shall become fully and immediately exercisable. If the employment of the Participant is terminated on or within two years following a Change in Control, all YUM! Stock Appreciation Rights shall continue to be exercisable at any time within three years after the date of such termination of employment, but in no event after the end of the YUM! Stock Appreciation Right Term.

13. Notices. Any notice to be given to YUM! under the terms of this Agreement shall be addressed to YUM! at Louisville, Kentucky 40213, U.S.A., Attention: Vice President, Compensation and Benefits, or such other address (including any email address) as YUM! may hereafter designate to the Participant. Any such notice shall be deemed to have been given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal or other official postal service for the Participant's country.

14. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to YUM!, whether by merger, consolidation or the sale of all or substantially all of YUM!'s assets. YUM! will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of YUM! to expressly assume and agree to perform this Agreement in the same manner and to the same extent that YUM! would be required to perform if no such succession had taken place.

(b) This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the YUM! Stock Appreciation Rights may be transferred by will, the applicable laws of descent and distribution or consent of the Committee.

15. Receipt of Prospectus. The Participant hereby acknowledges that he or she has received a copy of YUM!'s Prospectus relating to the YUM! Stock Appreciation Rights, the Covered Shares and the Plan, and that he or she fully understands his or her rights under the Plan.

16. Data Protection. *This Section 16 applies if the Participant resides outside the U.S. By entering into this Agreement, the Participant:*

(a) *hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this Agreement and any other grant materials, by and among, as applicable, the Employer, YUM! and any Subsidiary or affiliate of YUM!, for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan;*

(b) *acknowledges that YUM! and the Employer may hold certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, details of all YUM! Stock Appreciation Rights or any other entitlement to Stock outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data");*

(c) *acknowledges and agrees that Data may be transferred to Merrill Lynch or such other service provider as may be selected by YUM!, which is assisting with the implementation, administration and management of the Plan (presently or in the future), that these recipients may be located in the Participant's country of residence or elsewhere (e.g., the United States), and that the recipient's country may have different data privacy laws and protections to those of the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of Data by contacting his or her local human resources representative; and*

(d) *authorizes the Employer, YUM!, Merrill Lynch and any other possible recipients which may assist YUM! (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any shares acquired under the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local*

human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect his ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

17. Plan Controls. The YUM! Stock Appreciation Rights and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any Operating Guidelines or other policies or regulations which govern administration of the Plan, which shall be controlling. YUM! reserves its right to amend or terminate the Plan at any time without the consent of the Participant, provided, however, that YUM! Stock Appreciation Rights outstanding under the Plan at the time of such amendment or termination shall not be adversely affected thereby, as set forth in Section 7 of the Plan. All interpretations or determinations of the Committee shall be final, binding and conclusive upon the Participant and his or her legal representatives on any question arising hereunder or under the Plan, the Operating Guidelines or other policies or regulations which govern administration of the Plan.

18. Rights to Future Grants; Compliance with Law. By entering into this Agreement, the Participant acknowledges and agrees that the Award and acceptance of the YUM! Stock Appreciation Right pursuant to this Agreement is voluntary and occasional does not entitle the Participant to future grants of stock appreciation rights or other awards in the future under the Plan or any other plan even if stock appreciation rights have been granted repeatedly in the past. The Participant further agrees to seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of YUM! Stock Appreciation Rights and the exercise of YUM! Stock Appreciation Rights, including, without limitation, currency and exchange laws, rules and regulations. The Participant shall have no rights as a shareholder of YUM! until the YUM! Stock Appreciation Right is exercised and shares have been issued to the Participant.

19. Governing Law & Venue. The Participant's participation in the Plan and this Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to the principles of conflicts of laws thereof.

For purposes of litigating any dispute that arises under this grant, the Participant's participation in the Plan or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Kentucky and agree that such litigation shall be conducted in the courts of Jefferson County, Kentucky, or the federal courts for the United States for the Western District of Kentucky, where this grant is made and/or to be performed.

20. Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

22. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan and on any Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local laws or to facilitate the administration of the Plan, and to require me to accept the terms of any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Appendix. Notwithstanding any provisions herein, the Participant's participation in the Plan shall be subject to any special terms and conditions set forth in the Appendix for his or her country (attached hereto). Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant, to the extent YUM! determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan.

25. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Closing Value" of a share of YUM! Common Stock shall mean an amount equal to the closing sales price of a share of YUM! common stock as reported on the composite tape for securities listed on The New York Stock Exchange, on the date in question (or, if no sales of common stock were made on said Exchange on such date, on the next preceding day on which sales were made on such Exchange), rounded to two decimal places.

(b) "Retirement" shall have the meaning used in the YUM! Retirement Plan, as then in effect, whether it occurs on the Participant's Normal Retirement Date or Early Retirement Date, or in the event the Retirement Plan does not apply to the Participant, "Retirement" shall mean termination of employment by the Participant on or after the Participant's attainment of age 55 and 10 years of service or age 65 and 5 years of service. Notwithstanding the definition of Retirement set forth immediately above, if YUM! receives an opinion of counsel that there has been a legal judgment and/or legal development in the Participant's jurisdiction that would likely result in the favorable retirement treatment that applies to this grant under the Plan being deemed unlawful and/or discriminatory, then the Committee will not apply the favorable retirement treatment at the time of the Participant's termination of employment and the YUM! Stock Appreciation Right shall automatically expire upon, and no YUM! Stock Appreciation Right may be exercised after, the termination of the Participant's employment with the Company.

(c) "Total Disability" shall mean total disability of the Participant as determined by the Committee, upon the basis of such evidence as the Committee deems necessary and advisable.

By electronically accepting the grant of the YUM! Stock Appreciation Right and participating in the Plan, the Participant agrees to be bound by the terms and conditions in the Plan and this Agreement.

YUM! BRANDS, INC.

By _____
Anne P. Byerlein
YUM! Brands, Inc., Chief People Officer

Acknowledgement of Independent Registered Public Accounting Firm

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

We hereby acknowledge our awareness of the use of our report dated April 29, 2013, included within the Quarterly Report on Form 10-Q of YUM! Brands, Inc. for the twelve weeks ended March 23, 2013, and incorporated by reference in the following Registration Statements:

Description	Registration Statement Number
Form S-3	
YUM! Direct Stock Purchase Program	333-46242
Form S-8	
Restaurant Deferred Compensation Plan	333-36877, 333-32050
Executive Income Deferral Program	333-36955
YUM! Long-Term Incentive Plan	333-36895, 333-85073, 333-32046
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 29, 2013

CERTIFICATION

I, David C. Novak, 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 29, 2013

/s/ David C. Novak

Chairman and Chief Executive Officer

CERTIFICATION

I, Patrick J. Grismer, 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 29, 2013

/s/ Patrick J. Grismer

Chief Financial Officer

CERTIFICATION OF CHAIRMAN AND 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 23, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, David C. Novak, Chairman and 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 29, 2013

/s/ David C. Novak

Chairman and 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 23, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Patrick J. Grismer, Chief Financial 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 29, 2013

/s/ Patrick J. Grismer

Chief Financial 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.

