THE POWER OF Yum!

4,800,000,000 transactions
1,900,000,000 dollars in franchise fees
1,500,000 associates
40,000 restaurants
1,952 new international restaurants
128 countries
3 powerful brands

ON THE GROUND FLOOR OF GLOBAL GROWTH

Yum! Brands 2013 Customer Mania Report

Financial Highlights

(In millions, except for per share amounts)

Year-end	2013	2012	% B/(W) change
Company sales	**$ 11,184**	$ 11,833	(5)
Franchise and license fees and income	**1,900**	1,800	6
Total revenues	**$ 13,084**	$ 13,633	(4)
Operating Profit	**$ 1,798**	$ 2,294	(22)
Net Income – Yum! Brands, Inc.	**$ 1,091**	$ 1,597	(32)
Diluted Earnings Per Common Share before Special Items [a]	**$ 2.97**	$ 3.25	(9)
Special Items Earnings Per Common Share [a]	**(0.61)**	0.13	NM
Reported Diluted Earnings Per Common Share	**$ 2.36**	$ 3.38	(30)
Cash Flows Provided by Operating Activities	**$ 2,139**	$ 2,294	(7)

(a) See CR 23 of our 2013 Form 10-K for further discussion of Special Items.

Contents

ABOUT THE PAPER USED FOR THIS REPORT

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The inks used in the printing of this report contain an average of 25% - 35% vegetable oils from plant derivatives, a renewable resource. They replace petroleum based inks as an effort to also reduce volatile organic compounds (VOCs).

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www.yum.com/annualreport

Amounts set forth on the prior page are system-wide numbers, which include company and franchisee transactions, restaurants and associates.

Dear Partners,

2013 was clearly a challenging year, as full-year EPS declined 9% to $2.97 per share, excluding special items. While these results were driven by the underperformance of our KFC China business, the rest of Yum! delivered essentially on-target results.

If you've followed us over the years, you know one of the things we're most proud of as a company is our ability to drive what we call dynasty-like performance, which is generating at least 10% growth in earnings per share year after year. As you know, when a company does that, its' stock price takes care of itself. And we achieved at least 13% EPS growth, excluding special items, for 11 consecutive years until 2013.

Though our 2013 results were well below our own high standards for performance, we used the year as an opportunity – I'd say imperative – to take a step back, re-evaluate and strengthen all aspects of the business so that we come out stronger and better prepared to win going forward, not just in China but all around the world.

I'd go as far to say that we did some of our very best work in 2013 readying for the future. I want to highlight the work we did last year to set us up for a strong bounce-back year in 2014, and re-establish our track record of consistent double-digit EPS growth in the years ahead.

Let me start with our decision to reorganize the business. As of January 1, 2014, we combined our Yum! Restaurants International and U.S. divisions into three global brand divisions: KFC, Pizza Hut and Taco Bell. China and India will remain separate divisions given their strategic importance and tremendous growth potential.

Going forward, our three new divisions will define and drive the strategic positioning and operating models for KFC, Pizza Hut and Taco Bell, and will work closely with our China and India teams to ensure tight integration on brand initiatives. We believe having 100% focused brand teams will enable us to more aggressively accelerate growth in a way that generates higher returns and enhances shareholder value. We also believe know how sharing will be more powerful by bringing the U.S. and international businesses together.

David C. Novak
Chairman & Chief Executive Officer,
Yum! Brands, Inc.

KFC #1 FOREIGN BRAND IN CHINA*

CHINA

Let me now address KFC China, which was obviously our biggest challenge last year. Specifically, we are in the process of overcoming two issues that significantly impacted KFC sales in 2013: negative publicity from the poultry supply incident in late December 2012 and subsequent news of Avian Flu. Here are some of the major actions we took in 2013 to strengthen our KFC business in China.

First, in an effort to build and reinforce positive consumer perceptions around the safety of our food, our ongoing "Operation Thunder" initiatives strengthened our poultry supply chain. I assure you, we are always in the process of improving our supply chain. We also introduced a powerful quality assurance campaign called "I Commit."

> As a result, we are happy to see significant progress in rebuilding trust at KFC, with our key brand attribute scores now nearly back to where they were in 2012.

While we experienced significant sales deleverage at KFC, the China team deserves a lot of credit for doing an excellent job managing costs. We sharpened our ability in the areas of sales forecasting, labor scheduling and how best to optimize service levels with fewer labor hours. This capability will help us drive profitability going forward.

Now, as I've always said, the bedrock of our success in China has been our outstanding restaurant operations, which are getting stronger and stronger. In 2013, we hired over 8,000 new management recruits into our Whampoa Management Training Academy because we'll be opening thousands of new restaurants in the years ahead. Nearly 100% of our restaurant managers have a college degree, and about 50% of our restaurant team members are university students.

With world-class operations as our foundation, we opened 428 new KFCs this past year and now have almost 4,600 KFCs in over 900 cities in China...that's more than twice the size of our nearest competitor. KFC also has the largest home delivery business in China, with 70% of our orders being placed online. As a testament to our success, we were named the #1 foreign brand in China in a 2013 report published by the BBC. There's no doubt KFC has been, and continues to be, a power brand.

2013 Report published by the BBC.

4,600
KFCs IN OVER 900 CITIES IN CHINA

8,000
NEW MANAGEMENT RECRUITS

Our focus now is to bring more innovation and energetic news to our customers. In fact, we have an aggressive and comprehensive plan to restage the KFC brand in the second quarter, which includes breakthrough innovations in our products, menu management, marketing calendar, advertising and the digital customer experience. Overall at KFC China, we know we still have work to do but we're confident we are making progress rebuilding trust with consumers and improving same-store sales.

PIZZA HUT CASUAL DINING CHINA

For Pizza Hut Casual Dining, 2013 was a strong year as we grew same-store sales by 4% and opened 247 new restaurants, surpassing the 1,000 unit milestone. With over 1,000 units in 277 cities, we are clearly the number one western casual dining chain, with a 6:1 lead over our nearest competitor.

1,000
PIZZA HUT CASUAL DINING UNITS IN 277 CITIES

Pizza Hut Casual Dining is arguably one of the greatest success stories in our industry. In the last three years, we have more than doubled our store count, grown average unit volumes by 30% and achieved home-run economics with restaurant margins above 20%.

Pizza Hut Casual Dining goes well beyond pizza as almost two-thirds of sales are non-pizza items. We also continue to leverage our assets throughout the day and have expanded our breakfast offering into over 120 restaurants. This is a huge opportunity for us as our long-term goal is to create and own the midscale casual dining breakfast occasion in China on a scale that matches what exists in the U.S. today. In fact, we will be expanding breakfast into an additional 200 units in 2014.

All this is leading to an amazingly strong economic model that generates two-year cash paybacks on new unit openings, so it's full speed ahead for our Pizza Hut Casual Dining new unit development and expanding into lower-tier cities.

30%
AVERAGE UNIT VOLUME GROWTH

PIZZA HUT HOME SERVICE CHINA

Now, the other thing that's exciting about China is our Pizza Hut Home Service business, or home delivery. Pizza Hut Home Service now has over 200 units in 25 cities and is the only "All Meal" replacement delivery brand in China. Forty percent of our menu consists of Chinese food. So not only are we delivering pizza, but we're also delivering a full array of Chinese menu options. We now have a proven economic model which positions us to begin to scale this brand rapidly across the country.

6:1 LEAD
OVER NEAREST CASUAL DINING COMPETITOR

EAST DAWNING AND LITTLE SHEEP

Along with Pizza Hut Home Service, we have two other emerging Chinese food concepts in China that give us the confidence we will eventually become a dominant player in the massive Chinese food category. We are developing our own Chinese fast food concept, East Dawning, and are now testing it in lower-tier cities. Admittedly, this is taking longer than we expected, but we believe our persistence will pay off.

The same could be said for Little Sheep, the concept we acquired in 2012 because it is the leader in the extremely popular hot pot category. While we've had some major setbacks and are working hard to improve the concept, we remain optimistic this brand will become a significant growth driver down the road.

NEW UNITS IN CHINA

Of course, the biggest opportunity we have in China is to penetrate the country with new restaurants. Looking at China's new unit development in total, we strengthened our category-leading positions with 740 new restaurants in 2013, exceeding our target of at least 700 new units for the year. Going forward, we expect another strong year of development in 2014 with plans to open at least 700 new units as we continue to deploy capital into these high-return investments.

740

NEW RESTAURANTS IN CHINA IN 2013

Remember, Yum! currently has four restaurants per million people in China, where the consuming class is expected to grow from 300 million people just a couple of years ago to over 600 million by 2020. This compares to nearly 60 restaurants per million people in the U.S., where the consuming class is over 300 million people today. Clearly, we're on the ground floor of global growth.

> Make no mistake, we wouldn't trade our position in China with any other restaurant company in what remains the #1 retail opportunity in the world.

INDIA

In India, we've made the strategic decision to invest ahead of the growth curve to best position KFC, Pizza Hut and Taco Bell to expand even more rapidly as the country develops. This year we opened 157 new units, including Yum!'s 40,000th restaurant in Goa, and expect to open an additional 150 new units in 2014. And while our 2013 results haven't been as strong as we'd like, we're investing in the future of a country that has well over a billion people and is forecasted to have the largest consuming class in the world by 2030.

INVESTING IN THE FUTURE

Yum!'s 40,000th restaurant opened in Goa in 2013

Mongolia

Indonesia

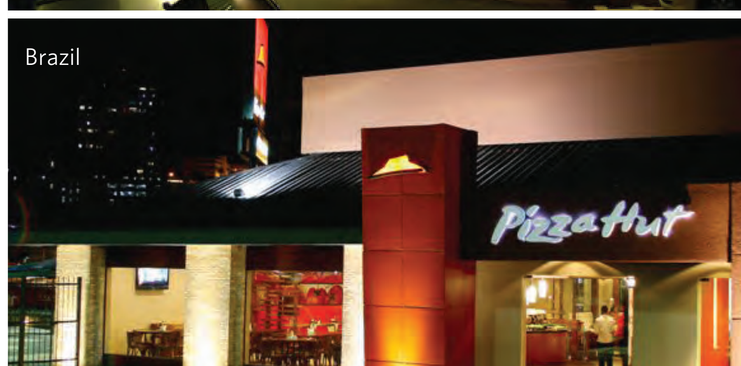
Ukraine

Vietnam

LONG RUNWAY FOR GROWTH

Russia


Malaysia



Brazil

YUM! RESTAURANTS INTERNATIONAL

At Yum! Restaurants International, the business delivered another solid year of profit growth led by high-growth emerging markets in regions like Russia, Southeast Asia, Africa and Latin America.

Yum! is the clear restaurant leader in emerging markets, and we continued to build upon this position in 2013.

In fact, we entered four new emerging market countries this past year: Tanzania, Ukraine, Argentina and even Mongolia. And with each new restaurant opening, people lined up out the door to experience our brands. It's clear our brands are loved around the world.

Having said this, given the economic and political volatility in some emerging countries, we know there will be ups and downs. We remain extremely bullish on our long-term prospects in emerging markets as the consuming class rapidly expands. Remember, emerging market economies are expected to grow at almost three times the rate of developed market economies for the foreseeable future. So Yum!'s strongest businesses are located where the highest growth in the world is expected to occur. This bodes well for Yum! Brands.

Importantly, the bulk of our emerging markets' business will continue to be capitalized by franchisees. We now have about 1,000 international franchisees who are passionate about our brands. As evidence, YRI opened a record 1,055 new restaurants last year, 936 of which were developed by franchisees. Looking ahead, our international franchisee development pipeline is robust as we expect to open at least 1,000 new international units in 2014 outside of China and India. This franchise-led growth is great news for our shareholders as the capital-free franchise business is about as high a return business as you can possibly have.

We've also made targeted investments in emerging markets to accelerate growth. We acquired about 100 restaurants from a franchisee in Turkey and expect to increase our pace of development in this country going forward. We opened our first company-operated Pizza Hut in Russia, and look to do the same in South Africa. We also opened a company-operated KFC in Brazil. While it's still early, we believe these types of investments set us up to achieve higher growth and higher returns in the years ahead.

1,055
NEW RESTAURANTS IN 2013

4 NEW
EMERGING MARKETS ENTERED IN 2013


TACO BELL
BELL
THE ONE AND ONLY
DRIVE THRU
OPEN
NEW!
LOCOS TACOS
700

LIVE MÁS

U.S.

Our U.S. business is on a path for consistent growth, led by Taco Bell, which represents approximately two-thirds of our U.S. profits. Taco Bell delivered another solid year in 2013 with the fourth-quarter representing the eighth consecutive quarter of same-store sales growth.

I'm extremely proud of Taco Bell CEO Greg Creed and his team for being named Advertising Age's Marketer of the Year in recognition of our Live Más campaign. More importantly, Taco Bell was the only restaurant company to receive top tier rankings from QSR Magazine's independent customer survey on three key operational measures: speed, accuracy and hospitality. Greg has done a sensational job leading the way.

We expect some truly innovative products to wow customers in 2014, but the big news for Taco Bell will be the national launch of breakfast. We have three terrific destination breakfast products at incredible price points.

Our economic model at Taco Bell remains strong with restaurant level margins over 19%. With the strength of these unit economics, we are seeing an acceleration of new unit development, with 86 net-new units in 2013 and an even better development pipeline heading into 2014. We're confident in our ability to achieve our goal of going from about 5,300 Taco Bell restaurants to at least 8,000 in the U.S.

The combination of innovation and strong operational capability gives us confidence Taco Bell will eventually become our third global brand.

At Pizza Hut, we are pleased we opened 116 net new units this year, our third consecutive year of positive net-unit growth. However, we significantly lagged our competitors in same-store sales as we simply weren't competitive enough on value. We are aligning with our franchisees to tackle this issue and bring even more innovation to the marketplace. In 2014, we expect to fare much better with competitive value and our plan to nationally advertise WingStreet for the first time, featuring our award-winning kitchen fried wings and eventually chicken strip meals.

KFC also under-performed in the U.S. in 2013, but we have exciting new product innovations and more compelling value planned to improve our performance in the growing chicken category.

We clearly have some catch-up work to do in the U.S. versus the competition for both Pizza Hut and KFC, and intend to make significant progress in 2014. All in all, the momentum at Taco Bell, net new unit openings, and the fact our refranchising program has been largely completed, puts us on a path for consistent growth in the U.S.

So to sum things up, we're uniquely positioned for a strong bounce-back year in 2014, primarily driven by our expected same-store sales recovery at KFC in China. This sales recovery, our new unit development and the actions we've taken to strengthen our global business give us confidence in our ability to deliver at least 20% EPS growth in 2014.

Importantly, we believe we're stronger and better positioned than ever to deliver on the three things that drive shareholder value in retail:

DRIVING NEW UNIT DEVELOPMENT

Our new unit opportunity in China and other emerging markets remains the best in retail and our opportunity to expand is huge. We have three iconic brands consumers love and more than 40,000 restaurants in 128 countries and territories. We're especially strong in high-growth emerging markets with more than 14,000 units and more than 50% of our operating profit in 2013 coming from the emerging world.

While we have 58 restaurants per million people in the U.S. today, we have only 2 restaurants per million in the emerging markets. That is a long runway for growth and gives us tremendous confidence in our ability to continue our aggressive expansion for years to come.

GROWING SAME-STORE SALES

Our more than 40,000 restaurants have significant capacity to drive even higher same-store sales growth and profitability around the world. We're growing our brands with a powerful combination of innovative new sales layers, expanded day parts, menu variety, strong value offers and by opening new channels with digital. Harnessing the power of digital technology, we're expanding the use of online and mobile ordering platforms across our Pizza Hut and KFC delivery businesses worldwide. We're also on track to launch a new mobile ordering app for our Taco Bell U.S. business in 2014.

GENERATING HIGH RETURNS

Finally, our returns on invested capital have consistently been among the best in the retail industry. Our growth is franchise-led, with franchisees investing virtually all the capital to own and operate what is now 78% of our restaurants. In 2013, this model generated nearly $2 billion in franchise fees, which combined with the profit from our company-operated restaurants, enabled us to invest over $1 billion in capital expenditures for the future growth of the business. And for the ninth consecutive year, we increased our dividend payment by at least 10% while returning almost $1.4 billion in cash to shareholders in the form of dividends and share repurchases. It takes a company with considerable economic strength and growth potential to do that, particularly in a down year.

Today I couldn't be more confident in the power of Yum! as we pursue our objective to become the defining global company that feeds the world. As we move forward in our new brand-focused structure, we have evolved our Dynasty Growth Model to reflect the three strategies that will drive even faster global growth and long-term, sustainable results.

- Build powerful brands through superior marketing, breakthrough innovation and compelling value—with a foundation built on winning food and world-class operations
- Drive aggressive unit expansion everywhere, especially in emerging markets — and by building leading brands in every significant category in China and India
- Create industry leading returns through franchising and disciplined use of capital — maximizing long-term shareholder value

$185 million

in cash and food donations in the last 7 years

740 million

meals to those in need

Finally, I want you to know how incredibly proud I am of the many ways we stepped up to show that we are a Company with a Huge Heart. Leading the world's largest private sector hunger relief effort, we've set the bar high year after year in support of World Hunger Relief. Nearly one billion people go to bed hungry every night and our relief efforts are more important than ever. 2013 was our strongest campaign on record with $37 million in cash and food donations! In the last seven years, our efforts have resulted in more than $185 million in cash and food donations resulting in 740 million meals going to those in need. While there is certainly reason to pause and celebrate this great achievement, we know that there is much more we can do in the fight to end hunger. Hunger is the world's most solvable problem and together we can make a difference. I am deeply grateful for committed employees, franchisees and customers who have joined our movement to save lives and truly change the world by serving others.

After reading this Annual Report, I hope you recognize the power of Yum! and agree the best is yet to come. I want to thank all our team members, restaurant general managers, franchisees, community partners and restaurant support leaders who are putting our customers front and center in everything they do. I'm so privileged to be able to work with such smart people who have such heart. It's their collective talent and people capability that make this company special and it has never been better than it is today.

That's why there's no doubt in my mind that 2014 will be a strong bounce-back year as we continue to build the defining global company that feeds the world.

Yum! to You!

David C. Novak
Chairman & Chief Executive Officer
Yum! Brands, Inc.

COMPANY WITH A HUGE HEART

Yum! future back vision

the defining global company that feeds the world

famous recognition culture where everyone counts

- Drive HWWT² leadership principles every day!
- Make it a magnet for the best talent
- Be an "ABR black belt"...Be a "Know How junkie"

dynamic, vibrant brands everywhere with one system operational excellence as our foundation

- Make Customer Mania come alive for every customer in every restaurant
- Build dynasties in every country
- Always connect with customers, always reach, always lead

a company with a huge heart

- Open doors and grow each other
- Truly care about the world...and save lives with the World Food Programme

Yum! dynasty growth model

our future back vision
Be the Defining Global Company That Feeds the World.

our goal
Be the Best in the World at Building Global Restaurant Brands!

our passion
Customer Mania… with our customers front and center in everything we do

our formula for success
People Capability First… satisfied customers and profitability follow

how we lead with ABR and TPWY
Step Change Thinkers
Know How Builders
Action Drivers
People Growers

how we grow

Build Powerful Brands Through Superior Marketing, Breakthrough Innovation and Compelling Value	Drive Aggressive Unit Expansion Everywhere, Especially in Emerging Markets	Create Industry Leading Returns Through Franchising and Disciplined Use of Capital
With a Foundation Built on Winning Food and World Class Operations	Build Leading Brands in Every Significant Category in China and India	Maximize Long-Term Shareholder Value

how we win together
Believe in All People
Be Restaurant and Customer Maniacs…NOW!
Recognize! Recognize! Recognize!
Go for Breakthrough
Build Know How
Take the Hill Teamwork

…as one system

YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

March 21, 2014

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2014 Annual Meeting of Shareholders of YUM! Brands, Inc. The Annual Meeting will be held Thursday, May 1, 2014, at 9:00 a.m., local time, in the YUM! Conference Center at 1900 Colonel Sanders Lane in Louisville, Kentucky.

Once again, we encourage you to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their shareholders over the Internet. We believe that this e-proxy process expedites shareholders' receipt of proxy materials, lowers the costs of delivery and helps reduce the Company's environmental impact.

Your vote is important. We encourage you to vote promptly whether or not you plan to attend the meeting. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained on the notice or proxy card.

If you plan to attend the meeting, please bring your notice, admission ticket from your proxy card or proof of your ownership of YUM common stock as of March 3, 2014 as well as a valid picture identification. Whether or not you attend the meeting, we encourage you to consider the matters presented in the proxy statement and vote as soon as possible.

Sincerely,

David C. Novak
Chairman of the Board and
Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on May 1, 2014—this notice and the proxy statement are available at *www.yum.com/investors/investor_materials.asp*. The Annual Report on Form 10-K is available at *www.yum.com/annualreport*.

YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

Notice of Annual Meeting of Shareholders

Thursday, May 1, 2014

9:00 a.m.

YUM! Conference Center, 1900 Colonel Sanders Lane, Louisville, Kentucky 40213

ITEMS OF BUSINESS:

(1) To elect eleven (11) directors to serve until the 2015 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified.
(2) To ratify the selection of KPMG LLP as our independent auditors for the fiscal year ending December 27, 2014.
(3) To consider and hold an advisory vote on executive compensation.
(4) To consider and vote on re-approval of the performance measures available under the YUM! Brands, Inc. Executive Incentive Compensation Plan for 162(m) purposes.
(5) To transact such other business as may properly come before the meeting.

WHO CAN VOTE:

You can vote if you were a shareholder of record as of the close of business on March 3, 2014.

ANNUAL REPORT:

A copy of our 2013 Annual Report on Form 10-K is included with this proxy statement.

WEBSITE:

You may also read the Company's Annual Report and this Notice and proxy statement on our website at *www.yum.com/annualreport and www.yum.com/investors/investor_materials.asp*.

DATE OF MAILING:

This Notice, the proxy statement and the form of proxy are first being mailed to shareholders on or about March 21, 2014.

By Order of the Board of Directors

Christian L. Campbell

Christian L. Campbell
Secretary

YOUR VOTE IS IMPORTANT

Under securities exchange rules, brokers cannot vote on your behalf for the election of directors or on executive compensation related matters without your instructions. Whether or not you plan to attend the Annual Meeting, please provide your proxy by following the instructions on your Notice or proxy card. On or about March 21, 2014, we mailed to our shareholders a Notice containing instructions on how to access the proxy statement and our Annual Report and vote online. **If you received a Notice by mail**, you will not receive a printed copy of the proxy materials in the mail, unless you request a copy. Instead, you should follow the instructions included in the Notice on how to access and review the proxy statement and Annual Report. The Notice also instructs you on how you may submit your vote by proxy over the Internet. **If you received the proxy statement and Annual Report in the mail**, please submit your proxy by marking, dating and signing the proxy card included and returning it promptly in the envelope enclosed. If you are able to attend the Annual Meeting and wish to vote your shares personally, you may do so at any time before the proxy is exercised.

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YUM! Brands, Inc.
1441 Gardiner Lane
Louisville, Kentucky 40213

PROXY STATEMENT

For Annual Meeting of Shareholders To Be Held On

May 1, 2014

The Board of Directors (the "Board of Directors" or the "Board") of YUM! Brands, Inc., a North Carolina corporation ("YUM" or the "Company"), solicits the enclosed proxy for use at the Annual Meeting of Shareholders of the Company to be held at 9:00 a.m. (Eastern Daylight Saving Time), on Thursday, May 1, 2014, in the YUM! Conference Center, at 1900 Colonel Sanders Lane, Louisville, Kentucky. This proxy statement contains information about the matters to be voted on at the Annual Meeting and the voting process, as well as information about our directors and most highly paid executive officers.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will vote on several important Company matters. In addition, our management will report on the Company's performance over the last fiscal year and, following the meeting, respond to questions from shareholders.

Why am I receiving these materials?

You received these materials because our Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. As a shareholder, you are invited to attend the Annual Meeting and are entitled to vote on the items of business described in this proxy statement.

Why did I receive a one-page Notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

As permitted by Securities and Exchange Commission ("SEC") rules, we are making this proxy statement and our Annual Report available to our shareholders electronically via the Internet. On or about March 21, 2014, we mailed to our shareholders a Notice containing instructions on how to access this proxy statement and our Annual Report and vote online. If you received a Notice by mail you will not receive a printed copy of the proxy materials in the mail, unless you request a copy. The Notice instructs you on how to access and review all of the important information contained in the proxy statement and Annual Report. The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained on the Notice.

We encourage you to take advantage of the availability of the proxy materials on the Internet in order to help lower the costs of delivery and reduce the Company's environmental impact.

Who may attend the Annual Meeting?

The Annual Meeting is open to all shareholders of record as of close of business on March 3, 2014, or their duly appointed proxies. Seating is limited and admission is on a first-come, first-served basis.

What do I need to bring to attend the Annual Meeting?

You will need a valid picture identification and either an admission ticket or proof of ownership of YUM's common stock to enter the Annual Meeting. If you are a registered owner, your Notice will be your admission ticket. If you received the proxy statement and Annual Report by mail, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the Annual Meeting, please so indicate when you vote and bring the ticket with you to the Annual Meeting. If your shares are held in the name of a bank or broker, you will need to bring your legal proxy from your bank or broker and your admission ticket. If you do not bring your admission ticket, you will need proof of ownership to be admitted to the Annual Meeting. A recent brokerage statement or letter from a bank or broker is an example of proof of ownership. If you arrive at the Annual Meeting without an admission ticket, we will admit you only if we are able to verify that you are a YUM shareholder. Your admittance to the Annual Meeting will depend upon availability of seating. All shareholders will be required to present valid picture identification prior to admittance. IF YOU DO NOT HAVE A VALID PICTURE IDENTIFICATION AND EITHER AN ADMISSION TICKET OR PROOF THAT YOU OWN YUM COMMON STOCK, YOU MAY NOT BE ADMITTED INTO THE ANNUAL MEETING.

Please note that computers, cameras, sound or video recording equipment, cellular and smart phones, tablets and other similar devices, large bags, briefcases and packages will not be allowed in the meeting room.

May shareholders ask questions?

Yes. Representatives of the Company will answer shareholders' questions of general interest following the Annual Meeting. In order to give a greater number of shareholders an opportunity to ask questions, individuals or groups will be allowed to ask only one question and no repetitive or follow-up questions will be permitted.

Who may vote?

You may vote if you owned YUM common stock as of the close of business on the record date, March 3, 2014. Each share of YUM common stock is entitled to one vote. As of March 3, 2014, YUM had 441,940,908 shares of common stock outstanding.

What am I voting on?

You will be voting on the following four (4) items of business at the Annual Meeting:

- The election of eleven (11) directors to serve until the next Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
- The ratification of the selection of KPMG LLP as our independent auditors for the fiscal year ending December 27, 2014;
- An advisory vote on executive compensation; and
- The re-approval of the performance measures available under the YUM! Brands, Inc. Executive Incentive Compensation Plan for 162(m) purposes.

We will also consider other business that properly comes before the meeting.

How does the Board of Directors recommend that I vote?

Our Board of Directors recommends that you vote your shares:

- **FOR** each of the nominees named in this proxy statement for election to the Board;
- **FOR** the ratification of the selection of KPMG LLP as our independent auditors;
- **FOR** the proposal regarding an advisory vote on executive compensation; and
- **FOR** the proposal to re-approve the performance measures of the YUM! Brands, Inc. Executive Incentive Compensation Plan for 162(m) purposes.

How do I vote before the Annual Meeting?

There are three ways to vote before the meeting:

- By Internet — If you have Internet access, we encourage you to vote on *www.proxyvote.com* by following instructions on the Notice or proxy card;
- By telephone — by making a toll-free telephone call from the U.S. or Canada to 1(800) 690-6903 (if you have any questions about how to vote over the phone, call 1(888) 298-6986); or
- By mail — If you received your proxy materials by mail, you can vote by completing, signing and returning the enclosed proxy card in the postage-paid envelope provided.

If you are a participant in the Direct Stock Purchase Plan, the administrator of this program, as the shareholder of record, may only vote the shares for which it has received directions to vote from you.

If you are a participant in the YUM! Brands 401(k) Plan ("401(k) Plan"), the trustee of the 401(k) Plan will only vote the shares for which it has received directions to vote from you.

Proxies submitted through the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Saving Time, on April 30, 2014. Proxies submitted by mail must be received prior to the meeting. Directions submitted by 401(k) Plan participants must be received by 12:00 p.m., Eastern Daylight Saving Time, on April 29, 2014.

Also, if you hold your shares in the name of a bank or broker, your ability to vote by telephone or the Internet depends on their voting processes. Please follow the directions on your notice carefully. A number of brokerage firms and banks participate in a program provided through Broadridge Financial Solutions, Inc. ("Broadridge") that offers telephone and Internet voting options. If your shares are held in an account with a brokerage firm or bank participating in the Broadridge program, you may vote those shares telephonically by calling the telephone number shown on the voting instruction form received from your brokerage firm or bank, or through the Internet at Broadridge's voting website *(www.proxyvote.com)*. Votes submitted through the Internet or by telephone through the Broadridge program must be received by 11:59 p.m., Eastern Daylight Saving Time, on April 30, 2014.

Can I vote at the Annual Meeting?

Shares registered directly in your name as the shareholder of record may be voted in person at the Annual Meeting. Shares held in street name may be voted in person only if you obtain a legal proxy from the broker or nominee that holds your shares giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. You may still vote your shares in person at the meeting even if you have previously voted by proxy.

Can I change my mind after I vote?

You may change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- Signing another proxy card with a later date and returning it to us prior to the Annual Meeting;
- Voting again by telephone or through the Internet prior to 11:59 p.m., Eastern Daylight Saving Time, on April 30, 2014;
- Giving written notice to the Secretary of the Company prior to the Annual Meeting; or
- Voting again at the Annual Meeting.

Your attendance at the Annual Meeting will not have the effect of revoking a proxy unless you notify our Corporate Secretary in writing before the polls close that you wish to revoke a previous proxy.

Who will count the votes?

Representatives of American Stock Transfer and Trust Company, LLC will count the votes and will serve as the independent inspector of election.

What if I return my proxy card but do not provide voting instructions?

If you vote by proxy card, your shares will be voted as you instruct by the individuals named on the proxy card. If you sign and return a proxy card but do not specify how your shares are to be voted, the persons named as proxies on the proxy card will vote your shares in accordance with the recommendations of the Board. These recommendations are:

- **FOR** the election of the eleven (11) nominees for director named in this proxy statement (Item 1);
- **FOR** the ratification of the selection of KPMG LLP as our independent auditors for the fiscal year 2014 (Item 2);
- **FOR** the proposal regarding an advisory vote on executive compensation (Item 3); and
- **FOR** the proposal to re-approve the performance measures available under the YUM! Brands, Inc. Executive Incentive Compensation Plan for 162(m) purposes (Item 4).

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is American Stock Transfer and Trust Company, LLC, which may be reached at 1(888) 439-4986.

Will my shares be voted if I do not provide my proxy?

Your shares may be voted if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters.

The proposal to ratify the selection of KPMG LLP as our independent auditors for fiscal year 2014 is considered a routine matter for which brokerage firms may vote shares for which they have not received voting instructions. The other proposals to be voted on at our Annual Meeting are not considered "routine" under applicable rules. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote."

How many votes must be present to hold the Annual Meeting?

Your shares are counted as present at the Annual Meeting if you attend the Annual Meeting in person or if you properly return a proxy by Internet, telephone or mail. In order for us to conduct our Annual Meeting, a majority of the outstanding shares of YUM common stock, as of March 3, 2014, must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the Annual Meeting.

How many votes are needed to elect directors?

You may vote "FOR" each nominee or "AGAINST" each nominee, or "ABSTAIN" from voting on one or more nominees. Unless you mark "AGAINST" or "ABSTAIN" with respect to a particular nominee or nominees or for all nominees, your proxy will be voted "FOR" each of the director nominees named in this proxy statement. In an uncontested election, a nominee will be elected as a director if the number of "FOR" votes exceeds the number of "AGAINST" votes. Abstentions will be counted as present but not voted. Full details of the Company's majority voting policy are set out in our Corporate Governance Principles at *www.yum.com/investors/governance/principles.asp* and at page 9 under "What other significant Board practices does the Company have?—Majority Voting Policy."

How many votes are needed to approve the other proposals?

The other proposals must receive the "FOR" vote of a majority of the shares, present in person or represented by proxy, and entitled to vote at the Annual Meeting. For each of these items, you may vote "FOR", "AGAINST" or "ABSTAIN." Abstentions will be counted as shares present and entitled to vote at the Annual Meeting. Accordingly, abstentions will have the same effect as a vote "AGAINST" the proposals. Broker non-votes will not be counted as shares present and entitled to vote with respect to the particular matter on which the broker has not voted. Thus, broker non-votes will not affect the outcome of any of these proposals.

When will the Company announce the voting results?

The Company will announce the voting results of the Annual Meeting on a Current Report on Form 8-K filed within four business days of the Annual Meeting.

What if other matters are presented for consideration at the Annual Meeting?

As of the date of this proxy statement, our management knows of no matters that will be presented for consideration at the Annual Meeting other than those matters discussed in this proxy statement. If any other matters properly come before the Annual Meeting and call for a vote of shareholders, validly executed proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

GOVERNANCE OF THE COMPANY

The business and affairs of YUM are managed under the direction of the Board of Directors. The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to shareholders. The Board believes that its practices align management and shareholder interests.

The corporate governance section of the Company website makes available the Company's corporate governance materials, including the Corporate Governance Principles (the "Principles"), the Company's Articles of Incorporation and By-Laws, the charters for each Board committee, the Company's Worldwide Code of Conduct, the Company's Political Contributions and U.S. Government Advocacy Policy, and information about how to report concerns about the Company. To access these documents on the Company's website, *www.yum.com*, click on "Investors" and then "Corporate Governance".

Highlights of our corporate governance practices are described below.

Governance Highlights

Corporate Governance

- 11 Director Nominees
- 8 Independent Director Nominees
- Directors with experience, qualifications and skills across a wide range of public and private companies
- Board Access to Senior Management and Independent Advisors
- Independent Lead Director
- Independent Board Committees
- Executive Sessions of Independent Directors at every regular Board and Committee meeting
- Risk Oversight by Board and its Committees
- Annual Board and Committee Self-Evaluations
- All Directors Attended at least 75% of Meetings Held
- YUM's Worldwide Code of Conduct
- Political Contributions and U.S. Government Advocacy Policy
- Audit Committee Complaint Procedures Policy regarding Accounting Matters

Shareholder Rights

- Annual Election of Directors
- Majority Voting of Directors
- Shareholder Communication Process for communicating with Board
- Active Shareholder Engagement

Compensation

- Executive Compensation is Highly Performance Based to Align with Shareholder Interests and Promote Company Business Strategy
- At Risk Pay Tied to Performance
- Strong Stock Ownership Guidelines
- No Employment Agreements or Guaranteed Bonuses
- Compensation Recovery Policy - "Clawback" Provisions apply to Equity and Bonus Awards
- Double trigger vesting upon Change in Control for new option and SAR awards
- No excise tax gross ups

What is the composition of the Board of Directors and how often are members elected?

Our Board of Directors presently consists of 12 directors whose terms expire at this Annual Meeting. Mr. Grissom will be retiring and is not standing for re-election at the Annual Meeting.

As discussed in more detail later in this section, the Board has determined that 8 of the 11 current directors standing for re-election are independent under the rules of the New York Stock Exchange ("NYSE").

How often did the Board meet in fiscal 2013?

The Board of Directors met 7 times during fiscal 2013. Each director attended at least 75% of the meetings of the Board and the committees of which he or she was a member and that were held during the period he or she served as a director.

What is the Board's policy regarding director attendance at the Annual Meeting of Shareholders?

The Board of Director's policy is that all directors should attend the Annual Meeting and 11 of the Company's 12 current directors attended the 2013 Annual Meeting.

How does the Board select nominees for the Board?

The Nominating and Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Committee's charter provides that it may retain a third-party executive search firm to identify candidates from time to time.

In accordance with the Principles, our Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and are selected based upon contributions they can make to the Board and management. The Committee's assessment of a proposed candidate will include a review of the person's judgment, experience, independence, understanding of the Company's business or other related industries and such other factors as the Nominating and Governance Committee determines are relevant in light of the needs of the Board of Directors. The Committee believes that its nominees should reflect a diversity of experience, gender, race, ethnicity and age. The Board does not have a specific policy regarding director diversity. The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees, if any. In connection with this evaluation, it is expected that each Committee member will interview the prospective nominee in person or by telephone before the prospective nominee is presented to the full Board for consideration. After completing this evaluation and interview process, the Committee will make a recommendation to the full Board as to the person(s) who should be nominated by the Board, and the Board determines the nominee(s) after considering the recommendation and report of the Committee.

We believe that each of our directors has met the guidelines set forth in the Governance Principles. As noted in the director biographies that follow this section, our directors have experience, qualifications and skills across a wide range of public and private companies, possessing a broad spectrum of experience both individually and collectively.

For a shareholder to submit a candidate for consideration by the Nominating and Governance Committee, a shareholder must notify YUM's Corporate Secretary. To make a director nomination at the 2015 Annual Meeting, a shareholder must notify YUM's Secretary no later than January 31, 2015. Notices should be sent to: Corporate Secretary, YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213. The nomination must contain the information described on page 65.

What is the Board's leadership structure?

The Company's Principles provide that the CEO may also serve as Chairman of the Board, and our CEO, David Novak, serves as Chairman of the Board of the Company. The Board believes that combining these positions serves the best interests of the Company at this time. The Board believes that by serving as both Chairman and CEO, Mr. Novak is positioned to use his in-depth knowledge of our industry, our global business and its challenges as well as our key constituents including employees, franchisees and business partners to provide the Board with the leadership needed to set Board agendas, strategic focus and direction for the Company. Mr. Novak's combined role as Chairman and CEO also ensures that the Company presents its message and strategy to shareholders, employees, customers, franchisees and business partners with a unified voice. Combining the Chairman and CEO roles fosters clear accountability, effective decision-making, and alignment on corporate strategy.

The Nominating and Governance Committee reviews the Board's leadership structure annually together with an evaluation of the performance and effectiveness of the Board of Directors. In August 2012, the Board created a new position of lead director, after its annual review which included engaging in dialogue and receiving input from a number of major shareholders. The lead director position is structured so that one independent Board member is empowered with sufficient authority to ensure independent oversight of the Company and its management. The lead director position has no term limit and is subject only to annual approval by the independent members of the Board. In August 2012, the Board's independent directors appointed Thomas Ryan to serve as the lead director, and have concluded that Mr. Ryan, who also chairs the Nominating and Governance Committee, has provided effective oversight in this role. In addition, to assure effective independent oversight, the Board has adopted a number of governance practices discussed below.

What are the Company's governance policies and ethical guidelines?

- ***Board Committee Charters.*** The Audit, Management Planning and Development and Nominating and Governance Committees of the YUM Board of Directors operate pursuant to written charters. These charters were approved by the Board of Directors and reflect certain best practices in corporate governance, as well as comply with the Sarbanes-Oxley Act of 2002 and the rules issued thereunder, including the requirements of the NYSE. Each charter is available on the Company's website at *www.yum.com/investors/governance/charters.asp.*
- ***Corporate Governance Principles.*** The Board of Directors has documented its corporate governance guidelines in the YUM! Brands, Inc. Corporate Governance Principles. These guidelines as amended are available on the Company's website at *www.yum.com/investors/governance/principles.asp*.
- ***Code of Ethics.*** YUM's Worldwide Code of Conduct was adopted to emphasize the Company's commitment to the highest standards of business conduct. The Code of Conduct also sets forth information and procedures for employees to report ethical or accounting concerns, misconduct or violations of the Code in a confidential manner. The Code of Conduct applies to the Board of Directors and all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer. Our directors and the senior-most employees in the Company are required to regularly complete a conflicts of interest questionnaire and certify in writing that they have read and understand the Code of Conduct. The Code of Conduct is available on the Company's website at www.yum.com/investors/governance/conduct.asp. The Company intends to post amendments to or waivers from its Code (to the extent applicable to the Board of Directors or executive officers) on this website.

What other significant Board practices does the Company have?

- ***Private Executive Sessions.*** Our non-management directors meet in executive session at each regular Board meeting. The executive sessions are attended only by the non-management directors and are presided over by the lead director. Our independent directors meet in executive session at least once per year.
- ***Role of Lead Director.*** Our corporate governance guidelines require the election, by the independent directors, of a lead director. The lead director position is structured so that one independent Board member is empowered with sufficient authority to ensure independent oversight of the Company and its management. The lead director position has no term limit and is subject only to annual approval by the independent members of the Board. Based upon the recommendation of the Nominating and Governance Committee, the Board has determined that the lead director is responsible for:
  - (a) Presiding at all executive sessions of the Board and any other meeting of the Board at which the Chairman is not present, and advising the Chairman and CEO of any decisions reached or suggestions made at any executive session,
  - (b) Approving in advance agendas and schedules for Board meetings and the information that is provided to directors,
  - (c) If requested by major shareholders, being available for consultations and direct communication,
  - (d) Serving as a liaison between the Chairman and the independent directors, and
  - (e) Calling special meetings of the independent directors.

- ***Advance Materials.*** Information and data important to the directors' understanding of the business or matters to be considered at a Board or Board Committee meeting are, to the extent practical, distributed to the directors sufficiently in advance of the meeting to allow careful review prior to the meeting.
- ***Board and Committees' Evaluations.*** The Board has an annual self-evaluation process that is led by the Nominating and Governance Committee. This assessment focuses on the Board's contribution to the Company and emphasizes those areas in which the Board believes a better contribution could be made. In addition, the Audit, Management Planning and Development and Nominating and Governance Committees also each conduct similar annual self-evaluations.
- ***Majority Voting Policy.*** Our Articles of Incorporation require majority voting for the election of directors in uncontested elections. This means that director nominees in an uncontested election for directors must receive a number of votes "for" his or her election in excess of the number of votes "against." The Company's Corporate Governance Principles further provide that any incumbent director who does not receive a majority of "for" votes will promptly tender to the Board his or her resignation from the Board. The resignation will specify that it is effective upon the Board's acceptance of the resignation. The Board will, through a process managed by the Nominating and Governance Committee and excluding the nominee in question, accept or reject the resignation within 90 days after the Board receives the resignation. If the Board rejects the resignation, the reason for the Board's decision will be publicly disclosed.

What access do the Board and Board committees have to management and to outside advisors?

- ***Access to Management and Employees.*** Directors have full and unrestricted access to the management and employees of the Company. Additionally, key members of management attend Board meetings to present information about the results, plans and operations of the business within their areas of responsibility.
- ***Access to Outside Advisors.*** The Board and its committees may retain counsel or consultants without obtaining the approval of any officer of the Company in advance or otherwise. The Audit Committee has the sole authority to retain and terminate the independent auditor. The Nominating and Governance Committee has the sole authority to retain search firms to be used to identify director candidates. The Management Planning and Development Committee has the sole authority to retain compensation consultants for advice on executive compensation matters.

Proxy Statement

What is the Board's role in risk oversight?

The Board maintains overall responsibility for overseeing the Company's risk management. In furtherance of its responsibility, the Board has delegated specific risk-related responsibilities to the Audit Committee and to the Management Planning and Development Committee. The Audit Committee engages in substantive discussions of risk management at its regular committee meetings held during the year. At these meetings, it receives functional risk review reports covering significant areas of risk from senior managers responsible for these functional areas, as well as receiving reports from the Company's Chief Auditor. Our Chief Auditor reports directly to the Chair of the Audit Committee and our Chief Financial Officer. The Audit Committee also receives reports at each meeting regarding legal and regulatory risks from management. The Audit Committee provides a summary to the full Board at each regular Board meeting of the risk area reviewed together with any other risk related subjects discussed at the Audit Committee meeting. In addition, our Management Planning and Development Committee considers the risks that may be implicated by our compensation programs through a risk assessment conducted by management and reports its conclusions to the full Board.

Has the Company conducted a risk assessment of its compensation policies and practices?

As stated in the Compensation Discussion and Analysis at page 29, the philosophy of our compensation programs is to reward performance by designing pay programs that incorporate team and individual performance, customer satisfaction and shareholder return; emphasize long-term incentives; drive ownership mentality; and require executives to personally invest in Company stock.

In 2014, the Management Planning and Development Committee of the Board of Directors ("Committee") oversaw the performance of a risk assessment of our compensation programs for all employees to determine whether they encourage unnecessary or excessive risk taking. In conducting this review, each of our compensation practices and programs was reviewed against the key risks facing the Company in the conduct of its business. Based on this review, the Committee concluded that our compensation policies and practices do not encourage our employees to take unnecessary or excessive risks.

As part of this assessment, the Committee concluded that the following policies and practices of the Company's cash and equity incentive programs serve to reduce the likelihood of excessive risk taking:

- The annual incentive target setting process is closely linked to the annual financial planning process and supports the Company's overall strategic plan.
- Compensation performance measures are set for each division, are transparent and are tied to multiple measurable factors, none of which exceeds a 50% weighting. The measures are both apparent to shareholders and drivers of their returns.
- Strong stock ownership guidelines are enforced for approximately 600 senior employees.
- We have implemented a compensation recovery or "clawback" policy.
- Capital allocation process is driven by strategic objectives, aligned with division annual operating plans and requires capital expenditure approval, ensuring alignment with development and return requirements.
- The performance which determines employee rewards is closely monitored by and certified to the Audit Committee and the full Board.
- Our compensation system is balanced, rewarding both short term and long term performance.
- Long-term Company performance is emphasized. The majority of incentive compensation for the top level employees is associated with the long term performance of the Company.

Proxy Statement

How does the Board determine which directors are considered independent?

The Company's Principles, adopted by the Board, require that we meet the listing standards of the NYSE. The full text of the Principles can be found on the Company's website *(www.yum.com/investors/governance/principles.asp).*

Pursuant to the Principles, the Board undertook its annual review of director independence. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates. As provided in the Principles, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management under NYSE rules, with the exception of David C. Novak, Jing-Shyh S. Su and Michael J. Cavanagh. Mr. Novak and Mr. Su are not considered independent directors because of their employment by the Company. Under NYSE rules, Mr. Cavanagh is not considered independent until May 2015 because Mr. Novak formerly served on the Compensation Committee of JPMorgan Chase & Co., where Mr. Cavanagh is an executive officer.

In determining that the other directors did not have a material relationship with the Company, the Board determined that Messrs. Dorman, Ferragamo, Grissom, Linen, Nelson, Ryan and Walter and Mses. Graddick-Weir and Hill had no other relationship with the Company other than their relationship as a director.

How do shareholders communicate with the Board?

Shareholders and other parties interested in communicating directly with individual directors, the non-management directors as a group or the entire Board may do so by writing to the Nominating and Governance Committee, c/o Corporate Secretary, YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213. The Nominating and Governance Committee of the Board has approved a process for handling letters received by the Company and addressed to individual directors, non-management members of the Board or the Board. Under that process, the Corporate Secretary of the Company reviews all such correspondence and regularly forwards to a designated individual member of the Nominating and Governance Committee copies of all such correspondence (although we do not forward commercial correspondence and correspondence duplicative in nature; however, we will retain duplicate correspondence and all duplicate correspondence will be available for directors' review upon their request) and a summary of all such correspondence. The designated director of the Nominating and Governance Committee will forward correspondence directed to individual directors as he or she deems appropriate. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Written correspondence from shareholders relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's Audit Committee Chair and to the internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters (described below). Correspondence from shareholders relating to Management Planning and Development Committee matters are referred to the Chair of the Management Planning and Development Committee.

What are the Company's policies on reporting of concerns regarding accounting?

The Audit Committee has established policies on reporting concerns regarding accounting and other matters in addition to our policy on communicating with our non-management directors. Any person, whether or not an employee, who has a concern about the conduct of the Company or any of our people, with respect to accounting, internal accounting controls or auditing matters, may, in a confidential or anonymous manner, communicate that concern to our General Counsel, Christian Campbell. If any person believes that he or she should communicate with our Audit Committee Chair, Thomas C. Nelson, he or she may do so by writing him at c/o YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, KY 40213. In addition, a person who has such a concern about the conduct of the Company or any of our employees may discuss that concern on a confidential or anonymous basis by contacting The Network at 1 (800) 241-5689. The Network is our designated external contact for these issues and is authorized to contact the appropriate members of management and/or the Board of Directors with respect to all concerns it receives. The full text of our Policy on Reporting of Concerns Regarding Accounting and Other Matters is available on our website at *www.yum.com/investors/governance/complaint.asp.*

What are the Committees of the Board?

The Board of Directors has standing Audit, Management Planning and Development, Nominating and Governance and Executive/Finance Committees.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2013
Audit: Thomas C. Nelson, *Chair* Mirian M. Graddick-Weir J. David Grissom Bonnie G. Hill Jonathan S. Linen	• Possesses sole authority regarding the selection and retention of independent auditors • Reviews and has oversight over the Company's internal audit function • Reviews and approves the cost and scope of audit and non-audit services provided by the independent auditors • Reviews the independence, qualification and performance of the independent auditors • Reviews the adequacy of the Company's internal systems of accounting and financial control • Reviews the annual audited financial statements and results of the audit with management and the independent auditors • Reviews the Company's accounting and financial reporting principles and practices including any significant changes • Advises the Board with respect to Company policies and procedures regarding compliance with applicable laws and regulations and the Company's Worldwide Code of Conduct and Policy on Conflicts of Interest • Discusses with management the Company's policies with respect to risk assessment and risk management. Further detail about the role of the Audit Committee in risk assessment and risk management is included in the section entitled "What is the Board's role in risk oversight?" set forth on page 9.	9
The Board of Directors has determined that all of the members of the Audit Committee are independent within the meaning of applicable SEC regulations and the listing standards of the NYSE and that Mr. Nelson, the chair of the Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that Mr. Nelson has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member is financially literate within the meaning of the listing standards of the NYSE.		
Management Planning and Development: Robert D. Walter, *Chair* David W. Dorman Massimo Ferragamo Thomas M. Ryan	• Oversees the Company's executive compensation plans and programs and reviews and recommends changes to these plans and programs • Monitors the performance of the chief executive officer and other senior executives in light of corporate goals set by the Committee • Reviews and approves the compensation of the chief executive officer and other senior executive officers • Reviews management succession planning	4
The Board has determined that all of the members of the Management Planning and Development Committee are independent within the meaning of the listing standards of the NYSE.		
Nominating and Governance: Thomas M. Ryan, *Chair* David W. Dorman Massimo Ferragamo Robert D. Walter	• Identifies and proposes to the Board suitable candidates for Board membership • Advises the Board on matters of corporate governance • Reviews and reassesses from time to time the adequacy of the Company's Corporate Governance Principles • Receives comments from all directors and reports annually to the Board with assessment of the Board's performance • Prepares and supervises the Board's annual review of director independence	3
The Board has determined that all of the members of the Nominating and Governance Committee are independent within the meaning of the listing standards of the NYSE.		
Executive/Finance: David C. Novak, *Chair* Thomas C. Nelson Thomas M. Ryan Robert D. Walter	• Exercises all of the powers of the Board in the management of the business and affairs of the Company consistent with applicable law while the Board is not in session	—

How are directors compensated?

Employee Directors. Employee directors do not receive additional compensation for serving on the Board of Directors.

Non-Employee Directors Annual Compensation. The annual compensation for each director who is not an employee of YUM is discussed under "Director Compensation" beginning on page 59.

What are the Company's policies and procedures with respect to related person transactions?

The Board of Directors has adopted policies and procedures for the review of related person transactions. Under these policies and procedures, the Nominating and Governance Committee reviews related person transactions in which we are or will be a participant to determine if they are in the best interests of our shareholders and the Company. Transactions, arrangements, or relationships or any series of similar transactions, arrangements or relationships in which a related person had or will have a material interest and that exceed $100,000 are subject to the Committee's review. Any member of the Nominating and Governance Committee who is a related person with respect to a transaction under review may not participate in the deliberation or vote respecting approval or ratification of the transaction.

Related persons are directors, director nominees, executive officers, holders of 5% or more of our voting stock and their immediate family members. Immediate family members are spouses, parents, stepparents, children, stepchildren, siblings, daughters-in-law, sons-in-law and any person, other than a tenant or domestic employee, who resides in the household of a director, director nominee, executive officer or holder of 5% or more of our voting stock.

After its review, the Nominating and Governance Committee may approve or ratify the transaction. The policies and procedures provide that certain transactions are deemed to be pre-approved even if they will exceed $100,000. These transactions include employment of executive officers, director compensation, and transactions with other companies if the aggregate amount of the transaction does not exceed the greater of $1 million or 2% of that company's total revenues and the related person is not an executive officer of the other company.

Does the Company require stock ownership by directors?

Yes, the Company requires stock ownership by directors. The Board of Directors expects non-management directors to hold a meaningful number of shares of Company common stock and expects non-management directors to retain shares acquired as compensation as a director until at least 12 months following their departure from the Board.

YUM directors receive a significant portion of their annual compensation in stock. The Company believes that the emphasis on the equity component of director compensation serves to further align the interests of directors with those of our shareholders.

How much YUM stock do the directors own?

Stock ownership information for each director nominee is shown in the table on page 26.

Does the Company have stock ownership guidelines for executives and senior management?

The Management Planning and Development Committee has adopted formal stock ownership guidelines that set minimum expectations for executive and senior management ownership. These guidelines are discussed on page 41.

The Company has maintained an ownership culture among its executive and senior managers since its formation. Substantially all executive officers and members of senior management, hold stock well in excess of the guidelines.

MATTERS REQUIRING SHAREHOLDER ACTION

ITEM 1 Election of Directors (Item 1 on the Proxy Card)

Who are this year's nominees?

The eleven (11) nominees recommended by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2015 Annual Meeting and until their respective successors are elected and qualified are provided below. The biographies of each of the nominees below contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating and Governance Committee and the Board to determine that the person should serve as a director for the Company. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to YUM and our Board. Finally, we value their significant experience on other public company boards of directors and board committees.

There are no family relationships among any of the directors and executive officers of the Company. See "What are the Company's policies and procedures with respect to related person transactions?" at page 13. Director ages are as of the date of this proxy statement.

Michael J. Cavanagh

Age 48
Director since 2012
Co-Chief Executive Officer, Corporate & Investment Bank, JPMorgan Chase & Co.

Michael J. Cavanagh is Co-Chief Executive Officer of the Corporate & Investment Bank of JPMorgan Chase & Co., a position he has held since 2012. Mr. Cavanagh is also a member of JPMorgan Chase & Co.'s Operating Committee. From 2010 to 2012, he was the Chief Executive Officer of JPMorgan Chase & Co.'s Treasury & Securities Services business, one of the world's largest cash management providers and a leading global custodian. From 2004 to 2010, Mr. Cavanagh was Chief Financial Officer of JPMorgan Chase & Co.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as executive vice president and chief financial officer of a financial services and retail banking firm
- Expertise in finance and strategic planning

David W. Dorman

Age 60
Director since 2005
Non-Executive Chairman, CVS Caremark Corporation and Founding Partner, Centerview Capital

David W. Dorman is the Non-Executive Chairman of the Board of CVS Caremark Corporation, a pharmacy healthcare provider. He has held this position since May 2011. He is also a Founding Partner of Centerview Capital, a private investment firm, since July 2013. Until May 2011, he was the Non-Executive Chairman of Motorola Solutions, Inc. (formerly known as Motorola Inc.), a leading provider of business and mission critical communication products and services for enterprise and government customers. He served as Non-Executive Chairman of the Board of Motorola, Inc. from May 2008 until the separation of its mobile devices and home businesses in January 2011. From October 2006 to May 2008, he was Senior Advisor and Managing Director to Warburg Pincus, a global private equity firm. From November 2005 until January 2006, he was President of AT&T Inc., a company that provides Internet and transaction-based voice and data services (formerly known as SBC Communications). He was Chairman of the Board and Chief Executive Officer of the company previously known as AT&T Corp. from November 2002 until November 2005. Prior to this, he was President of AT&T Corp. from 2000 to 2002 and the Chief Executive Officer of Concert, a former global venture created by AT&T Corp. and British Telecommunications plc, from 1999 to 2000. Mr. Dorman serves on the board of Motorola Solutions, Inc. and Georgia Tech Foundation. He served as a director of AT&T Corp. from 2002 to 2006.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as chief executive officer of global telecommunications-related businesses
- Expertise in finance, strategic planning and public company executive compensation
- Public company directorship and committee experience
- Independent of Company

Massimo Ferragamo

Age 56
Director since 1997
Chairman, Ferragamo USA, Inc.

Massimo Ferragamo is Chairman of Ferragamo USA, Inc., a subsidiary of Salvatore Ferragamo Italia, which controls sales and distribution of Ferragamo products in North America. Mr. Ferragamo has held this position since 1985. Mr. Ferragamo served as a director of Birks & Mayors, Inc. from 2005 until 2007.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as chairman of international sales and distribution business
- Expertise in branding, marketing, sales and international business development
- Public company directorship and committee experience
- Independent of Company

Mirian M. Graddick-Weir

Age 59
Director Since 2012
Executive Vice President, Human Resources, Merck & Co., Inc.

Mirian M. Graddick-Weir serves as Executive Vice President of Human Resources for Merck & Co., Inc., a pharmaceutical company. She has held this position since 2008. From 2006 until 2008, she was Senior Vice President of Human Resources of Merck & Co., Inc. Prior to this position, she served as Executive Vice President of Human Resources and Employee Communications of AT&T Corp from 2004 to 2006. Ms. Graddick-Weir served as the Executive Vice President of Human Resources of AT&T Corp. from 1999 to 2004. Ms. Graddick-Weir held various executive positions throughout her career with AT&T, which began in 1981. Ms. Graddick-Weir served as a director of Harleysville Group Inc. from 2000 until 2012.

Specific qualifications, experience, skills and expertise:

- Management experience, including as executive vice president of human resources for a pharmaceutical company and a global communications services provider
- Expertise in global human resources, corporate governance and public company compensation
- Public company directorship and committee experience
- Financially literate
- Independent of Company

Bonnie G. Hill

Age 72
Director since 2003
President, B. Hill Enterprises, LLC

Bonnie G. Hill is President of B. Hill Enterprises, LLC, a consulting company. She has held this position since 2001. She is also co-founder of Icon Blue, Inc., a brand marketing company. She served as President and Chief Executive Officer of Times Mirror Foundation, a charitable foundation affiliated with the Tribune Company from 1997 to 2001 and Senior Vice President, Communications and Public Affairs, of the Los Angeles Times from 1998 to 2001. From 1992 to 1996, she served as Dean of the McIntire School of Commerce at the University of Virginia. Ms. Hill currently serves as a director of AK Steel Holding Corporation, The Home Depot, Inc., California Water Service Group and The Rand Corporation. She serves as the Lead Director of The Home Depot, Inc. She also served on the boards of Hershey Foods Corporation from 1993 to 2007 and Albertson's, Inc. from 2002 to 2006.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as president of a consulting firm and as dean of the school of commerce at a large public university
- Expertise in corporate governance, succession planning and public company compensation
- Public company directorship and committee experience
- Financially literate
- Independent of Company

Jonathan S. Linen

Age 70
Director since 2005
Advisor to the Chairman, American Express Company

Jonathan S. Linen has been an advisor to the Chairman of American Express Company, a diversified worldwide travel and financial services company, since January 2006. From August 1993 until December 2005, he served as Vice Chairman of American Express Company. From 1992 to 1993, Mr. Linen served as President and Chief Operating Officer of American Express Travel Related Services Company, Inc. From 1989 to 1992, Mr. Linen served as President and Chief Executive Officer of Shearson Lehman Brothers. Mr. Linen is a director of Modern Bank, N.A. and The Intercontinental Hotels Group.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as president and chief executive officer of global travel-related services company
- Expertise in finance, marketing and international business development
- Public company directorship and committee experience
- Independent of Company

Thomas C. Nelson

Age 51
Director since 2006
Chairman, Chief Executive Officer and President, National Gypsum Company

Thomas C. Nelson has served as the President and Chief Executive Officer of National Gypsum Company, a building products manufacturer, since 1999 and was elected Chairman of the Board in January 2005. From 1995 to 1999, Mr. Nelson served as the Vice Chairman and Chief Financial Officer of National Gypsum Company. He is also a General Partner of Wakefield Group, a North Carolina based venture capital firm. Mr. Nelson previously worked for Morgan Stanley & Co. and in the United States Defense Department as Assistant to the Secretary and was a White House Fellow. He serves as a Director of Carolinas Healthcare System and as Lead Director of Belk, Inc.

Specific qualifications, experience, skills and expertise:

- Operational and management experience, including as president and chief executive officer of a building products manufacturer
- Senior government experience as Assistant to the Secretary of the United States Defense Department and as a White House Fellow
- Expertise in finance, strategic planning, business development and retail business

- Public company directorship and committee experience
- Independent of Company

David C. Novak

Age 61
Director since 1997
Chairman and Chief Executive Officer, YUM! Brands, Inc.

David C. Novak has been Chairman of the Board since 2001, and Chief Executive Officer of YUM since 2000. He served as President of YUM from October 1997 to April 2012. Mr. Novak previously served as Group President and Chief Executive Officer, KFC and Pizza Hut from August 1996 to July 1997, at which time he became acting Vice Chairman of YUM. Mr. Novak served as a director of Bank One Corporation from 2001 until its merger with JPMorgan Chase & Co. in 2004. He continued serving as a director of JPMorgan Chase & Co. from 2004 to 2012.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as chairman and chief executive officer of the Company
- Expertise in strategic planning, global branding, franchising, and corporate leadership
- Public company directorship and committee experience

Thomas M. Ryan

Age 61
Director since 2002
Former Chairman and CEO, CVS Caremark Corporation

Thomas M. Ryan is the former Chairman and Chief Executive Officer of the Board of CVS Caremark Corporation, a pharmacy healthcare provider. He served as Chairman from April 1999 to May 2011. He was Chief Executive Officer of CVS Caremark Corporation from May 1998 to February 2011 and also served as President from May 1998 to May 2010. Mr. Ryan serves on the boards of Five Below, Inc. and Vantiv, Inc. and is an Operating Partner of Advent International. Mr. Ryan was a director of Reebok International Ltd. from 1998 to 2005 and Bank of America Corporation from 2004 to 2010.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as chief executive officer of global pharmacy healthcare business
- Expertise in finance, strategic planning and public company executive compensation
- Public company directorship and committee experience
- Independent of Company

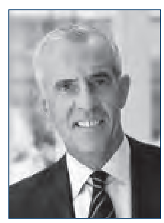
Jing-Shyh S. Su

Age 61
Director since 2008
Vice Chairman, YUM! Brands, Inc., Chairman and Chief Executive Officer of YUM's China Division

Jing-Shyh S. Su has been Vice Chairman of the Board since 2008. He is also Chairman and Chief Executive Officer of YUM's China Division, a position he has held since May 2010. From 1997 to May 2010, he was President of YUM's China Division. Prior to this position, he was the Vice President of North Asia for both KFC and Pizza Hut.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as president of the Company's China Division
- Expertise in marketing and brand development
- Expertise in strategic planning and international business development



Robert D. Walter

Age 68
Director since 2008
Founder and Retired Chairman/CEO Cardinal Health, Inc.

Robert D. Walter is the founder of Cardinal Health, Inc., a company that provides products and services supporting the health care industry. Mr. Walter retired from Cardinal Health in June 2008. Prior to his retirement from Cardinal Health, he served as Executive Director from November 2007 to June 2008. From April 2006 to November 2007, he served as Executive Chairman of the Board of Cardinal Health. From 1979 to April 2006, he served as Chairman and Chief Executive Officer of Cardinal Health. Mr. Walter serves as a director of American Express Company and Nordstrom, Inc. From 2000 to 2007, he was a director of CBS Corporation and its predecessor, Viacom, Inc.

Specific qualifications, experience, skills and expertise:

- Operating and management experience, including as chief executive officer, of global healthcare and service provider business
- Expertise in finance, business development, business integrations, financial reporting, compliance and controls
- Public company directorship and committee experience
- Independent of Company

If elected, we expect that all of the aforementioned nominees will serve as directors and hold office until the 2015 Annual Meeting of Shareholders and until their respective successors have been elected and qualified. Based on the recommendation of the Nominating and Governance Committee, all of the aforementioned nominees are standing for re-election.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR the election of these nominees.

What if a nominee is unwilling or unable to serve?

That is not expected to occur. If it does, proxies may be voted for a substitute nominated by the Board of Directors.

What vote is required to elect directors?

A nominee will be elected as a director if the number of "FOR" votes exceeds the number of "AGAINST" votes with respect to his or her election.

Our policy regarding the election of directors can be found in our Corporate Governance Principles at *www.yum.com/investors/governance/principles.asp* and at page 9 under "What other significant Board practices does the Company have?—Majority Voting Policy."

ITEM 2 Ratification of Independent Auditors (Item 2 on the Proxy Card)

What am I voting on?

A proposal to ratify the selection of KPMG LLP ("KPMG") as our independent auditors for fiscal year 2014. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2013, KPMG served as our independent auditors and also provided other audit-related and non-audit services.

Will a representative of KPMG be present at the meeting?

Representatives of KPMG will be present at the Annual Meeting and will have the opportunity to make a statement if they desire and will be available to respond to appropriate questions from shareholders.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. If the selection of KPMG is not ratified, the Audit Committee will reconsider the selection of independent auditors.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR approval of this proposal.

What were KPMG's fees for audit and other services for fiscal years 2013 and 2012?

The following table presents fees for professional services rendered by KPMG for the audit of the Company's annual financial statements for 2013 and 2012, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2013 and 2012.

	2013	2012
Audit fees(1)	$ 6,330,000	$ 5,680,000
Audit-related fees(2)	360,000	1,180,000
Audit and audit-related fees	6,690,000	6,860,000
Tax fees(3)	980,000	790,000
All other fees(4)	—	40,000
TOTAL FEES	**$ 7,670,000**	**$ 7,690,000**

(1) Audit fees include fees for the audit of the annual consolidated financial statements, reviews of the interim condensed consolidated financial statements included in the Company's quarterly reports, audits of the effectiveness of the Company's internal controls over financial reporting, statutory audits and services rendered in connection with the Company's securities offerings.

(2) Audit-related fees include audits of financial statements of certain employee benefit plans, agreed upon procedures and other attestations. Audit-related fees in 2012 also included due diligence assistance.

(3) Tax fees consist principally of fees for international tax compliance, VAT services and tax audit assistance.

(4) All other fees consist of fees for advisory services related to the Company's expansion in an international market.

What is the Company's policy regarding the approval of audit and non-audit services?

The Audit Committee has implemented a policy for the pre-approval of all audit and permitted non-audit services, including tax services, proposed to be provided to the Company by its independent auditors. Under the policy, the Audit Committee may approve engagements on a case-by-case basis or pre-approve engagements pursuant to the Audit Committee's pre-approval policy. The Audit Committee may delegate pre-approval authority to one of its independent members, and has currently delegated pre-approval authority up to certain amounts to its Chair.

Pre-approvals for services are granted at the January Audit Committee meeting each year. In considering pre-approvals, the Audit Committee reviews a description of the scope of services falling within pre-designated services and imposes specific budgetary guidelines. Pre-approvals of designated services are generally effective for the succeeding 12 months. Any incremental audit or permitted non-audit services which are expected to exceed the relevant budgetary guideline must be pre-approved.

The Corporate Controller monitors services provided by the independent auditors and overall compliance with the pre-approval policy. The Corporate Controller reports periodically to the Audit Committee about the status of outstanding engagements, including actual services provided and associated fees, and must promptly report any non-compliance with the pre-approval policy to the Chair of the Audit Committee.

The complete policy is available on the Company's website at *www.yum.com/investors/governance/media/gov_auditpolicy.pdf.*

Proxy Statement

ITEM 3 Advisory Vote On Executive Compensation (Item 3 on the Proxy Card)

What am I voting on?

In accordance with SEC rules, we are asking shareholders to approve, on a non-binding basis, the compensation of the Company's named executive officers ("NEOs") as disclosed in this proxy statement.

We urge shareholders to read the Compensation Discussion and Analysis beginning at page 28, the compensation tables beginning at page 44 and the narrative discussion following the compensation tables.

Our Performance-Based Executive Compensation Program Attracts and Retains Strong Leaders and Closely Aligns with Our Shareholders' Interests

Our performance-based executive compensation program is designed to attract, reward and retain the talented leaders necessary for our Company to succeed in the highly competitive market for talent, while maximizing shareholder returns. This approach has made our management team a key driver in the Company's strong performance over both the long and short term. We believe that our compensation program has attracted and retained strong leaders, and is closely aligned with the interests of our shareholders.

The Compensation Discussion and Analysis section of this proxy statement, beginning on page 28 discusses in detail how our compensation policies and procedures operate and are designed to meet our compensation goals and how we make our compensation decisions.

We Made Changes to Our Executive Compensation Program for 2013 After Considering Your Feedback

As described in the Compensation Discussion and Analysis, our Management Planning and Development Committee (the "Committee") considered the feedback of many of our major institutional shareholders, and during 2013 implemented several significant changes, described below, in our executive compensation program. Specifically, changes made by the Committee included the following:

- **Updated the Company's Executive Peer Group to better align the size of the peer group companies with YUM.**
- **Re-designed 2013-2015 Performance Share Plan -** Re-designed 2013-2015 Performance Share Plan to measure relative total shareholder return vs. the S&P 500.
- **Increased Use of Performance Share Units in CEO's Long Term Incentive ("LTI") Program -** Changed the CEO's LTI compensation mix from 90% SARs and 10% PSUs to 75% SARs and 25% PSUs.
- **Eliminated CEO's Accruals under Company's Pension Equalization Plan -** Replaced our CEO's nonqualified pension benefits under the Pension Equalization Plan ("PEP") with a benefit in the Leadership Retirement Plan. As a result of this change, Mr. Novak will receive a long-term benefit that is similar to what he would have received under PEP, assuming historically normal interest rates, without the fluctuation from interest rate volatility that is inherent in the PEP.
- **Eliminated Excise Tax Gross-Ups -** Eliminated excise tax gross-ups upon a change in control for current and future Change in Control Severance Agreements with executives, including the NEOs.
- **Implemented "Double Trigger" Vesting upon a Change in Control -** Implemented double trigger vesting upon a change in control of the Company for equity awards made in 2013 and beyond.

We believe these changes further align our executive compensation program with best practices, enhance shareholder value, and enable us to better achieve our business goals.

Accordingly, we ask our shareholders to vote in favor of the following resolution at the Annual Meeting:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation awarded to our NEOs, as disclosed pursuant to SEC rules, including the Compensation Discussion and Analysis, the compensation tables and related materials included in this proxy statement.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. While this vote is advisory and non-binding on the Company, the Board of Directors and the Committee will review the voting results and consider shareholder concerns in their continuing evaluation of the Company's compensation program. Unless the Board of Directors modifies its policy on the frequency of this advisory vote, the next advisory vote on executive compensation will be held at the 2015 Annual Meeting of Shareholders.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR approval of this proposal.

ITEM 4 Re-Approval of YUM! Brands, Inc. Executive Incentive Compensation Plan Performance Measures (Item 4 on the Proxy Card)

What am I voting on?

A proposal to re-approve the material terms of the performance measures available under the YUM! Brands, Inc. Executive Incentive Compensation Plan ("Incentive Plan"), as required by the performance-based compensation rules under Section 162(m) of the Internal Revenue Code ("Section 162(m)"). The Incentive Plan was previously approved by shareholders on May 21, 2009 and has not been amended since the last approval.

Why am I voting on this?

In order for the Company to continue to make awards under the Incentive Plan that will qualify as "performance-based compensation" that is exempt from the $1 million deduction limit (as described below) imposed by Section 162(m), the Incentive Plan (and in particular, the material terms thereof, including the employees who are eligible to receive Awards under the Incentive Plan, the performance measures on which performance goals may be based and the individual dollar limitations on payments in any calendar year) must be approved by the Company's shareholders. Approval of the Incentive Plan will constitute approval of the material terms.

What are the material terms that must be approved?

A summary of the most significant provisions of the Incentive Plan is set forth below and is qualified in its entirety by reference to the Incentive Plan, set forth in Appendix A hereto. If the Incentive Plan is not so approved, incentive payments under the Incentive Plan will not qualify as "performance-based compensation".

Purpose. The purpose of the Incentive Plan is to promote the interests of the Company and its shareholders by (i) motivating executives, by means of performance-related incentives, to achieve financial goals; (ii) attracting and retaining executives of outstanding ability; (iii) strengthening the Company's capability to develop, maintain and direct a competent executive staff; (iv) providing annual incentive compensation opportunities which are competitive with those of other major corporations; and (v) enabling executives to participate in the growth and financial success of the Company.

Eligibility and Grant of Awards. Under the Incentive Plan, the Committee (defined below) may grant cash incentives ("Awards") to Executive Officers or other members of senior management of the Company ("Eligible Employees"). The recipient of an Award (a "Participant") will become entitled to a cash payment if certain performance goals (described below) for the Performance Period, as established by the Committee, are satisfied. The amount of the cash payment is to be based on the extent to which the performance goals are achieved. At the time an Award is granted to a Participant, the Committee will establish, with respect to the Award, (i) a target amount, expressed as a percentage of the Participant's base salary for such Performance Period; (ii) the performance goal(s) for the Performance Period with respect to the Award, which goals will be based on one or more of the performance measures described below); (iii) the maximum payments to be made with respect to various levels of achievement of the performance goal(s) for the Performance Period; and (iv) whether the Award is intended to satisfy the requirements for performance-based compensation (as described below).

Performance Measures. Awards under the Plan may be based on one or more of the following performance measures: cash flow, earnings per share, return on operating assets, return on equity, operating profit, net income, revenue growth, Company or system sales, shareholder return, gross margin management, market share improvement, market value added, restaurant development, customer satisfaction, economic value added, operating income, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, return on invested capital and operating income margin percentage. Such goals may be particular to a line of business, subsidiary, or other unit or may be based on the Company or franchise system generally. These measures may be particular to a line of business, a subsidiary of the Company, or other units or may be based on the Company or franchise system generally.

Performance-Based Compensation. A federal income tax deduction will generally be unavailable for annual compensation in excess of $1 million paid to the chief executive officer and any of the three next most highly compensated officers (other than the chief financial officer) of a public corporation. However, amounts that constitute "performance-based compensation" are not counted toward the $1 million limit. The Committee may designate any Award under the Plan as intended to be "performance-based compensation."

If an Award is designated as performance-based compensation, the Committee must certify that the performance goal(s) and other material terms of the Award have been attained before the Award can be paid. The Committee may adjust the amount of a Participant's Award for individual performance on the basis of such quantitative and qualitative performance measures and evaluations as it deems appropriate and may make such adjustments as it deems appropriate in the case of any Participant whose position with the Company has changed during the applicable performance period. The Committee will have the discretion to adjust performance goals and the methodology used to measure the determination of the degree of attainment of such goals; provided, however, that, to the extent required by the requirements applicable to performance-based compensation, a performance-based Award may not be adjusted in a manner that increases the value of such Award.

The maximum payment of an Award that is intended to be performance-based compensation will not exceed $10,000,000 in any calendar year.

Payments. A Participant's eligibility for payment with respect to an Award for a Performance Period will be determined by the Committee. Payments will be made in cash and, unless otherwise provided by the Committee, will be paid no later than March 15th of the calendar year following the calendar year in which the applicable performance period ends. If a Participant's termination of employment occurs prior to the end of a performance period, any Award made to the Participant for that performance period will be forfeited; provided, however, that special rules, including special payment timing rules, apply in the case of termination on account of death or disability and special calculation rules apply in the event the date of termination occurs on account of the Participant's normal retirement.

Withholding Taxes. The Company will have the right to deduct from all payments under the Incentive Plan any taxes required to be withheld with respect to such payments.

Change in Control. In the event of a change in control of the Company (as defined in the YUM! Brands, Inc. Long Term Incentive Plan (the "LTIP"), the Performance Period will be deemed to have concluded on the date of the change of control and, within 10 business days thereafter, each Participant will receive a pro rata amount (based on the number of days in such Performance Period elapsed through the date of the change of control) equal to the greater of the Participant's target amount or the amount the Participant would have earned for the Performance Period assuming continued achievement of the relevant performance goals at the rate achieved as of the date of the change of control. Any former Participant in the Plan who was granted an Award for the period in which a change in control of the Company occurs and whose employment with the Company was involuntarily terminated (other than for cause) during a period that a Potential Change in Control (as defined in the LTIP) is in effect and within one year preceding the occurrence of a change in control will be paid the amount of such annual incentive award as if the Company had fully achieved the applicable performance target(s) for the Performance Period in which the change in control occurs, which amount will be paid to the former Participant 10 business days following the occurrence of the applicable change in control.

Return of Overpayments. The Incentive Plan provides that if an amount paid is based on attainment of a level of objective performance goals that was overstated as a result of misconduct (defined in the Incentive Plan) by an employee of the Company or a subsidiary of the Company, with the result that the payment of the Award was larger than it should have been, the Participant (whether or not employed) whose misconduct caused the inaccuracy will be required to repay the excess. In addition, the Committee may require an active or former Participant (regardless of whether then employed) to repay the excess previously received by that Participant if the Committee concludes that the repayment is necessary to prevent the Participant from unfairly benefiting from the inaccuracy; provided, however, that (a) this repayment obligation will apply to an active or former Participant only if the Committee reasonably determines that, prior to the time the amount was paid (or, if payment of the amount is electively deferred by the Participant, at the time the amount would have been paid in the absence of the deferral), such Participant knew or should have known that the amount was greater than it should have been by reason of the inaccuracy, and (b) the amount to be repaid by the Participant may not be greater than the excess of (i) the amount paid to the Participant over (ii) the amount that would have been paid to a Participant in the absence of the inaccuracy (taking into account, at the discretion of the Committee, only the inaccuracy of which the Participant knew or should have known, and which the Participant knew or should have known was caused by misconduct).

Instead of (or in addition to) requiring repayment, the Committee may adjust a Participant's future compensation and the Company and/or a subsidiary of the Company will be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company and/or subsidiary. In any event, the repayment provisions of the Incentive Plan will not apply to any reductions in Awards made after a change in control of the Company to the extent that the Award was granted before a change in control.

Administration. The Incentive Plan is administered by a committee (the "Committee") selected by the Board and consisting solely of two or more non-employee members of the Board. Subject to the terms of the Incentive Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who will receive Awards, to determine the time or times of payment with respect to the Awards, to establish the terms, conditions, performance goals, restrictions, and other provisions of such Awards, and to cancel or suspend Awards. The Committee will have the authority and discretion to interpret the Incentive Plan, to establish, amend, and rescind any rules and regulations relating to the Incentive Plan, to determine the terms and provisions of any Award made pursuant to the Incentive Plan, and to make all other determinations that may be necessary or advisable for the administration of the Incentive Plan. Any interpretation of the Incentive Plan by the Committee and any decision made by it under the Incentive Plan is final and binding on all persons. The Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Until action to the contrary is taken by the Committee, the Committee's authority with respect to matters concerning Participants below the Executive Officer level is delegated to the Chief Executive Officer or the Chief People Officer of the Company.

Amendment or Termination. The Board may, at any time, amend or terminate the Incentive Plan, provided that no amendment or termination may, in the absence of consent to the change by the affected Participant, adversely affect the rights of any Participant or beneficiary under any Award granted under the Incentive Plan prior to the date such amendment is adopted by the Board.

What vote is required to approve this proposal?

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

What is the recommendation of the Board of Directors?

The Board of Directors recommends that you vote FOR approval of this proposal.

STOCK OWNERSHIP INFORMATION

Who are our largest shareholders?

As of January 31, 2014, the Company did not know of any shareholder that was the owner of more than 5% of YUM common stock.

How much YUM common stock is owned by our directors and executive officers?

This table shows the beneficial ownership of YUM common stock as of December 31, 2013 by

- each of our directors,
- each of the executive officers named in the Summary Compensation Table on page 44, and
- all directors and executive officers as a group.

Unless we note otherwise, each of the following persons and their family members have sole voting and investment power with respect to the shares of common stock beneficially owned by him or her. None of the persons in this table holds in excess of one percent of the outstanding YUM common stock. Directors and executive officers as a group beneficially own approximately 2%. Our internal stock ownership guidelines call for the Chairman to own 336,000 shares of YUM common stock or stock equivalents. Guidelines for our other NEOs call for them to own 50,000 shares of YUM common stock or stock equivalents within five years following their appointment to their current position.

The table shows the number of shares of common stock and common stock equivalents beneficially owned as of December 31, 2013. Included are shares that could have been acquired within 60 days of December 31, 2013 through the exercise of stock options, stock appreciation rights (“SARs”) or distributions from the Company’s deferred compensation plans, together with additional underlying stock units as described in footnote (4) to the table. Under SEC rules, beneficial ownership includes any shares as to which the individual has either sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days through the exercise of any stock option or other right.

Name	Beneficial Ownership: Number of Shares Beneficially Owned(1)	Options/ SARS Exercisable within 60 Days(2)	Deferral Plans Stock Units(3)	Total Beneficial Ownership	Additional Underlying Stock Units(4)	Total
David C. Novak	328,127	1,744,632	1,334,279	3,407,038	1,079,457	4,486,495
Michael J. Cavanagh	0	100	0	100	5,019	5,119
David W. Dorman	54,541	11,036	0	65,577	5,254	70,831
Massimo Ferragamo	53,429	11,036	43,130	107,595	32,172	139,767
Mirian M. Graddick-Weir	0	565	0	565	7,321	7,886
J. David Grissom	118,872(5)	230	2,055	121,157	0	121,157
Bonnie G. Hill	3,024	18,848	11,961	33,833	16,083	49,916
Jonathan S. Linen	14,438(6)	21,512	0	35,950	33,281	69,231
Thomas C. Nelson	8,288	5,961	0	14,249	33,414	47,663
Thomas M. Ryan	31,357(7)	18,848	4,842	55,047	30,455	85,502
Robert D. Walter	108,301	7,287	0	115,588	21,018	136,606
Patrick Grismer	18,887(8)	103,831	0	122,718	25,244	147,962
Jing-Shyh S. Su	369,229(9)	1,265,024	0	1,634,253	244,498	1,878,751
Greg Creed	29,371	297,125	1,004	327,500	80,397	407,897
Muktesh Pant	15,402	399,663	0	415,065	89,458	504,523
All Directors and Executive Officers as a Group (22 persons)	1,301,790	5,620,909	1,523,302	8,446,001	2,139,777	10,585,778

(1) Shares owned outright. These amounts include the following shares held pursuant to YUM's 401(k) Plan as to which each named person has sole voting power:

- *Mr. Novak, 32,463 shares*
- *Mr. Grismer, 7,287 shares*
- *Mr. Pant, 2,259 shares*
- *all executive officers as a group, 44,636 shares*

(2) The amounts shown include beneficial ownership of shares that may be acquired within 60 days pursuant to stock options and SARs awarded under our employee or director incentive compensation plans. For stock options, we report shares equal to the number of options exercisable within 60 days. For SARs we report the shares that would be delivered upon exercise (which is equal to the number of SARs multiplied by the difference between the fair market value of our common stock at year-end and the exercise price divided by the fair market value of the stock).

(3) These amounts reflect units denominated as common stock equivalents held in deferred compensation accounts for each of the named persons under our Director Deferred Compensation Plan or our Executive Income Deferral Program. Amounts payable under these plans will be paid in shares of YUM common stock at termination of directorship/employment or within 60 days if so elected.

(4) Amounts include units denominated as common stock equivalents held in deferred compensation accounts which become payable in shares of YUM common stock at a time (a) other than at termination of employment or (b) after March 1, 2014. For Mr. Novak, those amounts also include vested restricted stock units. For Mr. Su, amounts also include restricted stock units awarded in 2010 that will vest in 2015.

(5) This amount includes 26,000 shares held in trusts.

(6) This amount includes 10,000 shares held in a trust.

(7) These shares are held in a trust.

(8) This amount includes 11,600 shares held in trusts.

(9) This amount includes 278,361 shares held indirectly.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE AND LEGAL PROCEEDINGS

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% of the outstanding shares of YUM common stock to file with the SEC reports of their ownership and changes in their ownership of YUM common stock. Directors, executive officers and greater-than-ten percent shareholders are also required to furnish YUM with copies of all ownership reports they file with the SEC. To our knowledge, based solely on a review of the copies of such reports furnished to YUM and representations that no other reports were required, all of our directors and executive officers complied with all Section 16(a) filing requirements during fiscal 2013, except that the Form 4 filed on May 25, 2013 by Mr. Walter reported five late transactions.

In 2013, three shareholder derivative actions were filed (one on May 9, 2013 in Jefferson Circuit Court, Commonwealth of Kentucky, and one on each of May 21, 2013 and December 9, 2013 in the U.S. District Court for the Western District of Kentucky) against certain current and former officers and directors of the Company. Generally, the matters assert claims of breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with an alleged failure to implement proper controls in the Company's purchases of poultry from suppliers to the Company's China operations and with an alleged scheme to mislead investors about the Company's growth prospects in China. The two actions in the U.S. District Court for the Western District of Kentucky have been consolidated. By agreement of the parties both the consolidated federal court actions and the state court action have been temporarily stayed pending the outcome of a motion to dismiss a related securities class action suit against the Company and certain executive officers. The derivative actions and the securities class action suit are more fully described in the Company's Annual Report on Form 10-K for the year ended December 28, 2013 in *Part 1, Item 3, Legal Proceedings and Note 19, Contingencies, to the Consolidated Financial Statements included in Part II, Item 8,* and in previous SEC filings.

Pursuant to North Carolina law, our Restated Articles of Incorporation and indemnification agreements with our Directors, the Company shall indemnify and may advance and/or reimburse certain expenses of our current and former officers and directors incurred in connection with defending these actions. Each of the current and former officers and directors is required to provide an undertaking to repay such expenses if it is ultimately determined that he or she is not entitled to indemnification.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis ("CD&A") describes our executive compensation philosophy and program, the decisions the Management Planning and Development Committee (the "Committee") has made under this program and factors considered in making those decisions. This CD&A focuses on the compensation of the following Named Executive Officers ("NEOs") for 2013:

Name	Title[1]
David C. Novak	Chairman of the Board and Chief Executive Officer of YUM
Patrick J. Grismer	Chief Financial Officer of YUM
Jing-Shyh S. Su	Vice Chairman of the Board of YUM and Chairman and Chief Executive Officer of YUM Restaurants China
Greg Creed	Chief Executive Officer of Taco Bell
Muktesh Pant	Chief Executive Officer of Yum Restaurants International

(1) Title as of 12/31/13

We will first provide a brief executive overview. We will then discuss and analyze the following topics:

- Chief Executive Officer Pay
- How Compensation Decisions Are Made
- Elements of Executive Compensation Program
- Compensation Policies & Practices

Proxy Statement

Executive Overview

The power of YUM persists even during what was undoubtedly a difficult year. Our EPS decline of 9%[1] and worldwide operating profit decline of 10%[2] was disappointing and below our expectations. Yet, despite our challenges, in 2013 we continued to provide value to our shareholders with an increase of 16% in total shareholder return. We maintain a long-term view of our business, making decisions that put us in a position of strength. And in 2013, YUM delivered some major accomplishments through our global portfolio of leading brands including:

- Opening 1,952 new restaurants outside of the U.S. with 82% of this development occurring in high growth emerging markets.
- Growing worldwide system sales by 2%, prior to foreign currency translation, including 5% growth at Yum! Restaurants International (YRI) and 1% growth in the U.S. System; system sales declined 4% in China.
- Growing operating profit by 10%[2] at YRI, driven by same-store sales growth and net new unit development, and 3% in the U.S, with Taco Bell U.S. leading the way by delivering restaurant level margins of 19%.

(1) Prior to Special Items
(2) Prior to foreign currency translations

YUM's Compensation Philosophy

Our compensation program is designed to support our long-term growth model, while holding our executives accountable to achieve key annual results year over year.

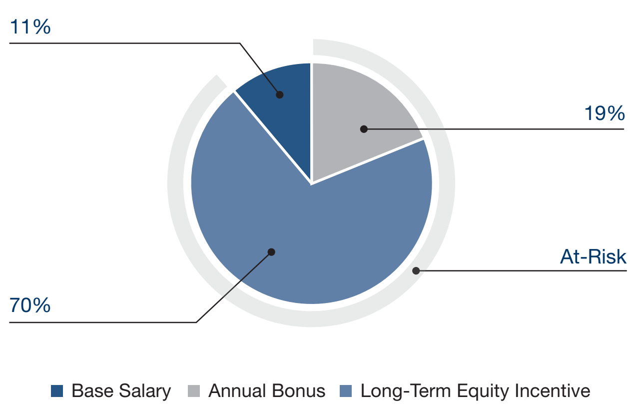
YUM's compensation philosophy for the NEOs is reviewed annually by the Committee, and has the following key objectives:

- **Reward performance** – The majority of NEO pay is performance based and therefore at-risk. We design pay programs that incorporate team and individual performance, customer satisfaction and shareholder return.
- **Emphasize long-term incentive compensation** – Our belief is simple, if we create value for shareholders, then we share a portion of that value with those responsible for the results. We believe that all of our long-term incentive compensation is performance based. Stock Appreciation Rights ("SARs") reward for value creation which over time is a function of our results and the favorable expectations of our shareholders. Performance Share Unit ("PSU") awards reward for superior relative performance as compared to the S&P 500. Both vehicles encourage executives to grow the value of the Company with a long-term perspective in mind.
- **Drive ownership mentality** – We require executives to personally invest in the Company's success by owning Company stock.
- **Retain and reward the best talent to achieve superior shareholder results** – To be consistently better than our competitors, we need to recruit and retain superior talent who are able to drive superior results. We have structured our compensation programs to motivate and reward these results.

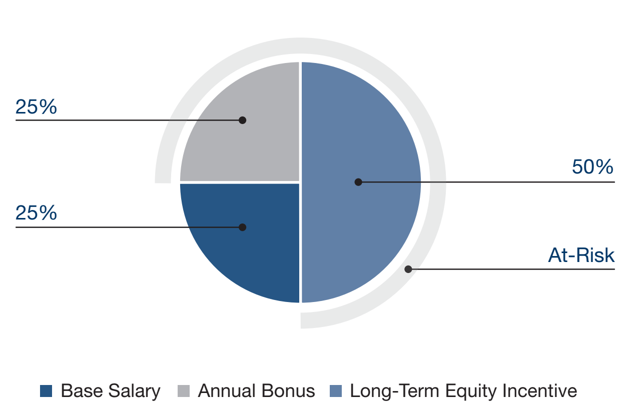
Relationship Between Company Pay and Performance

To focus on both the short and long-term success of the Company, our NEOs' compensation includes a significant portion, approximately 80%, that is "at-risk", where the compensation paid is determined based on the achievement of specified results. If short-term and long-term financial and operational goals are not achieved, then performance-related compensation will decrease. If goals are exceeded, then performance-related compensation will increase. As demonstrated below, our target pay mix for NEOs emphasizes our commitment to "at-risk" pay in order to tie pay to performance.

CEO TARGET PAY MIX—2013



ALL OTHER NEO TARGET PAY MIX—2013

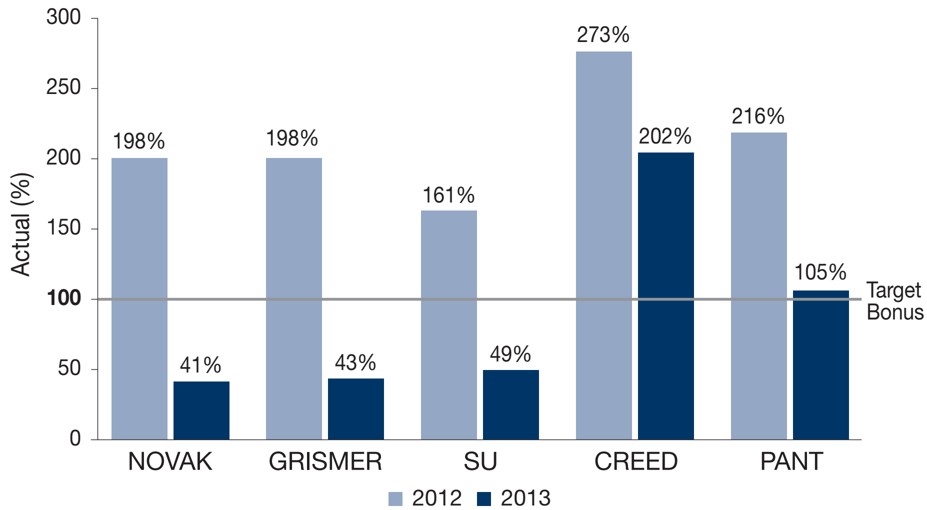


Based on the Company's 2013 performance, compensation fell considerably versus the prior year, specifically:

- Cash compensation (base salary and annual bonus) decreased by 60% for the Chief Executive Officer ("CEO") and 33% for the other NEOs.
- Direct compensation (base salary, annual bonus and long-term equity incentive) decreased by 26% for the CEO and 19% for the other NEOs.
- A reduction in annual bonus contributed significantly to the year over year decline in direct compensation, as bonus payouts reflected our failure to achieve key performance metrics in 2013. Annual bonus decreased by 80% for the CEO and 51% for the other NEOs combined year over year.

As indicated below, three out of the five NEOs had below target bonus payouts in 2013 as they did not achieve target performance levels.

NEO TARGET BONUS VS. ACTUAL[1]



(1) Bonus payout as percentage of target

Long-term incentive payouts also decreased under our Performance Share Plan. 2011 PSU awards were not paid out to our NEOs since the earnings per share average during the 2011-2013 performance cycle did not reach the required minimum average growth threshold of seven percent.

These results reflect our commitment to pay-for-performance.

2013 Compensation Changes

As discussed in last year's CD&A, as a result of our 2012 shareholder vote and feedback, the following changes were made to our compensation program for 2013:

- Updated the Company's Executive Peer Group to better align the size of the peer group companies with YUM.
- Eliminated use of similar metrics in short-term incentive ("STI") and long-term incentive ("LTI") programs by re-designing our 2013-2015 performance share plan to measure relative total shareholder return vs. the S&P 500.
- Increased use of performance shares in our LTI program by changing the CEO's mix from 90% SARs and 10% PSUs to 75% SARs and 25% PSUs.
- Replaced our CEO's nonqualified pension benefits under the Pension Equalization Plan ("PEP") with a benefit in the Leadership Retirement Plan ("LRP"). As a result of this change, Mr. Novak will receive a long-term benefit that is similar to what he would have received under PEP, assuming historically normal interest rates, without the fluctuation from interest rate volatility that is inherent in the PEP.
- Consistent with the dominant governance model, eliminated excise tax gross-ups upon a change in control for current and future agreements and implemented double trigger vesting upon a change in control of the Company for equity awards made in 2013 and beyond.

Executive Compensation Governance Practices

We employ key compensation governance practices that provide a foundation for our pay for performance program.

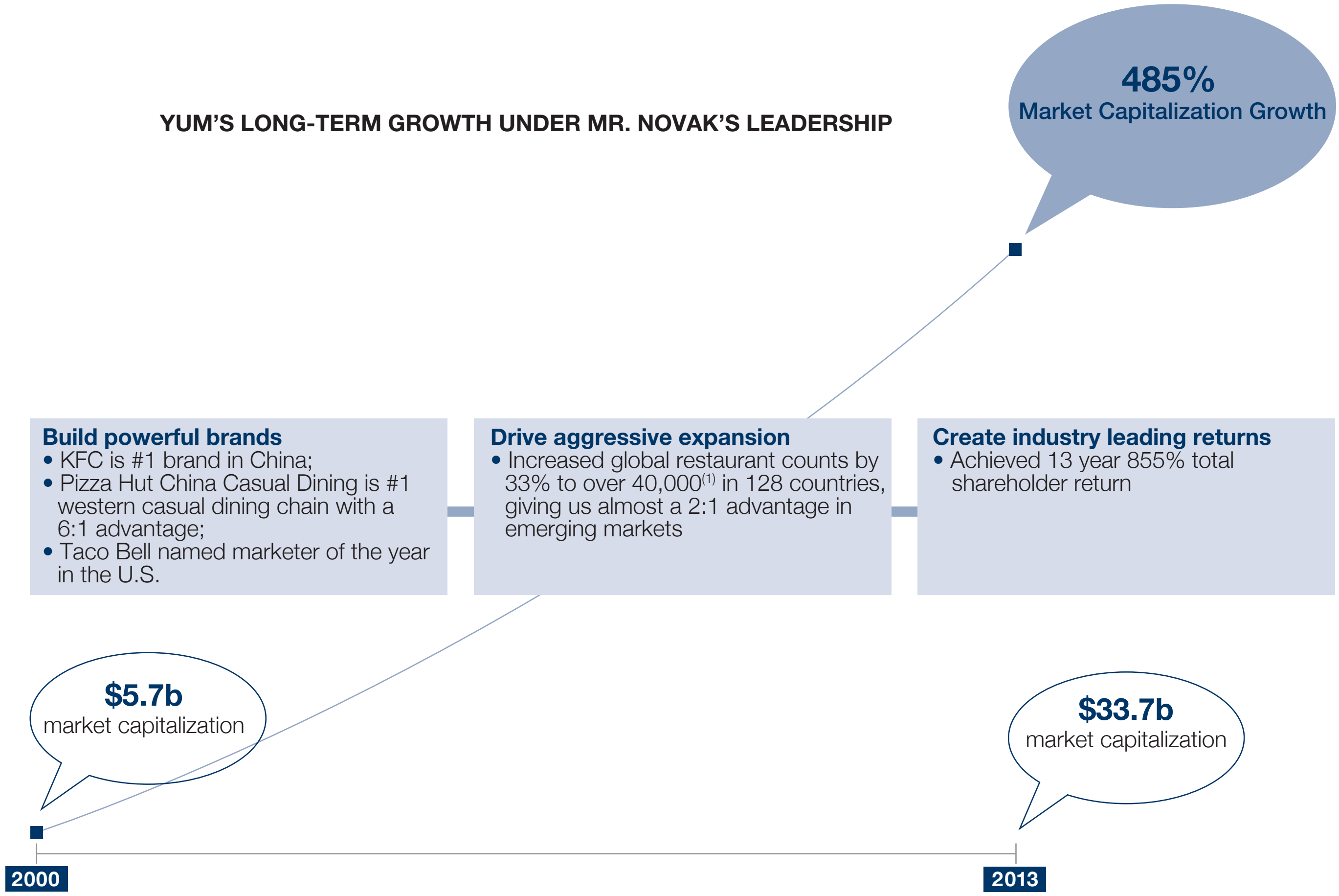
	We Do		We Don't Do
✓	Executive Stock Ownership Guidelines	✗	Employment agreements
✓	Compensation recovery (i.e., "clawback")	✗	Re-pricing of SARs or stock options
✓	Limited future severance agreements	✗	Excise tax gross-ups upon change in control
✓	Double trigger vesting of equity awards upon change in control	✗	Hedging or pledging of Company stock

The philosophies, actions and practices described above reinforce our longstanding commitment to an executive compensation program that emphasizes performance and shareholder alignment.

Chief Executive Officer Pay

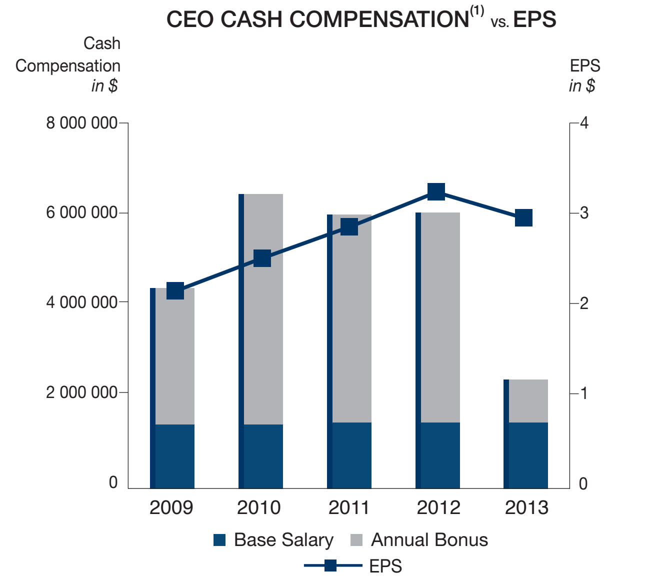
Our compensation program is designed to support our long-term Company growth model, while holding our executives accountable to achieve key annual results year over year. As discussed on page 29, our CEO's pay is tied to performance, as 89% of Mr. Novak's 2013 target pay is at-risk. As demonstrated below, our Company has continued to experience growth under the leadership and strategic vision of Mr. Novak since he was named CEO in 2000. Mr. Novak is compensated in accordance with this long-term perspective.

YUM'S LONG-TERM GROWTH UNDER MR. NOVAK'S LEADERSHIP



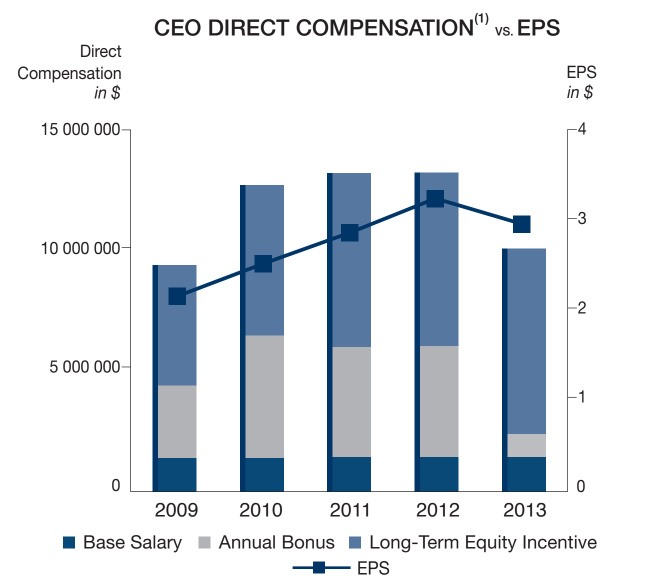
(1) Restaurant count includes licensed units

Every January the Committee makes decisions about the CEO's target compensation based on performance and market competitiveness. For 2013, the Committee determined that our CEO's target cash compensation, consisting of base salary and target bonus, was competitive compared to our Executive Peer Group and did not increase these elements. In regards to actual cash compensation for 2013, our CEO's pay decreased by 60% compared to the prior year, largely due to an 80% decline in annual bonus. His annual bonus reflects below target performance. As demonstrated at page 32, our CEO's cash compensation correlates with earnings per share growth, which is our primary business performance metric.



(1) Represents our CEO's base salary and annual bonus for each year

The Committee slightly increased Mr. Novak's target direct compensation in early 2013, as it increased his LTI award to reflect the strong results delivered in 2012. Mr. Novak's actual direct compensation, comprised of base salary, bonus paid and annual long-term incentive award value has remained relatively flat from 2010-2012 but decreased by 26% in 2013 as a result of his reduced annual bonus. Although not included in the calculation of 2013 compensation, our CEO's 2011 PSU award was not paid out since the average earnings per share during the 2011-2013 performance cycle did not reach the required minimum average growth threshold of seven percent. Consequently, Mr. Novak realized no value for the award which had a grant date value of $773,000 and was included in the calculation of his actual direct compensation in 2011 (shown below). The CEO's SARs continue to only provide value if shareholders receive value through stock price appreciation. As demonstrated below, our CEO's direct compensation, like cash compensation, tracks earnings per share.



(1) Represents our CEO's base salary, annual bonus, and long-term equity incentive for each year

Proxy Statement

How Compensation Decisions Are Made

Shareholder Outreach, Engagement and 2013 Vote on NEO Compensation

At our 2013 Annual Meeting of Shareholders, 96% of votes cast on our annual advisory vote on NEO compensation were in favor of our NEOs' compensation program, as disclosed in our 2013 proxy statement. These results represented an overwhelming majority support and, while we did not make any changes to our compensation program as a result of this vote, we continued our extensive shareholder outreach program to better understand our investors' opinions on our compensation practices and have the opportunity to answer their questions. Over the past two years, members of our management team from compensation, investor relations and legal were directly involved in key engagement efforts that served to reinforce our open door policy, which included:

- Outreach calls to our top 100 shareholders
- Actively offering meetings to the top 25 shareholders, representing ownership of approximately 48% of YUM shares
- Dialogue with two proxy advisory firms
- Investor road shows and conferences
- Presenting shareholder feedback to the Committee

Our annual engagement efforts have enabled us to meet with many of our shareholders. The Company and the Committee appreciate the feedback from our shareholders and the proxy advisory firms. The Committee considers the feedback, among other factors discussed in this CD&A, in making its compensation decisions. Shareholder feedback has influenced several of our compensation design changes, including the five compensation changes adopted prior to the 2013 Annual Meeting of Shareholders, as previously discussed on page 30. The Committee did not make any changes to our executive compensation program and policies as a result of the vote on the 2013 proposal to approve our NEOs' compensation.

Proxy Statement

Role of the Committee and Chief Executive Officer

In January of each year, the Committee reviews the performance and total compensation package of our CEO and the other NEOs. The Committee reviews and establishes each NEO's total target and actual compensation for the current year which includes base salary, annual bonus opportunities and long-term incentive awards. The Committee's total compensation decisions impacting our CEO are also reviewed and ratified by the independent members of the Board.

In making these compensation decisions, the Committee relies on the CEO's in-depth review of the performance of the other NEOs as well as competitive market information. Compensation decisions are ultimately made by the Committee using its judgment, focusing primarily on each NEO's performance against his or her financial and strategic objectives, qualitative factors and the Company's overall performance. In making its decisions, the Committee also considers the total compensation of each NEO and retains discretion to make compensation decisions that are reflective of overall business performance.

Role of the Independent Consultant

The Committee's charter states the Committee may retain outside compensation consultants, lawyers or other advisors. The Committee retains an independent consultant, Meridian Compensation Partners, LLC ("Meridian"), to advise it on certain compensation matters. The Committee has instructed Meridian that:

- it is to act independently of management and at the direction of the Committee;
- its ongoing engagement will be determined by the Committee;
- it is to inform the Committee of relevant trends and regulatory developments;
- it is to provide compensation comparisons based on information that is derived from comparable businesses of a similar size to the Company for the NEOs; and
- it is to assist the Committee in its determination of the annual compensation package for our CEO and other NEOs.

The Company considered the following factors, among others, in determining that Meridian meets the criteria to serve as the Committee's independent compensation consultant:

- Meridian did not provide any services to the Company unrelated to executive compensation.

- Meridian has no business or personal relationship with any member of the Committee or management.
- Meridian's partners and employees who provide services to the Committee are prohibited from owning YUM stock per Meridian's firm policy.

Comparator Compensation Data

One of the factors our Committee uses in setting executive compensation is an evaluation of how our target and actual compensation levels compare to those of similarly situated executives at companies that comprise our executive peer group ("Executive Peer Group"). The Executive Peer Group used for executive benchmarking for all NEOs is made up of retail, hospitality, food, specialty eatery, and nondurable consumer goods companies and quick service restaurants, as these represent the sectors with which the Company is most likely to compete for executive talent. Companies from these sectors must also be reflective of the overall market characteristics of our executive talent market, relative leadership position in their sector, size as measured by revenues, complexity of their business, and in some cases global reach.

Executive Peer Group

The Committee established the current Executive Peer Group for all NEOs at the end of 2012 for pay actions in 2013, which includes:

AutoZone Inc.	J. C. Penney Company Inc.	Nike Inc.
Avon Products Inc.	Kellogg Company	OfficeMax Inc.
Campbell Soup Company	Kimberly-Clark Corporation	Staples Inc.
Colgate Palmolive Company	Kohl's Corporation	Starbucks Corporation
Darden Restaurants Inc.	Macy's Inc.	Unilever USA
Gap Inc.	Marriott International	
General Mills Inc.	McDonald's Corporation	

For 2013, the Committee removed Coca-Cola, PepsiCo and Kraft from the Executive Peer Group in order to better align the size of the peer group companies with YUM. At the time the benchmarking analysis was prepared, the Executive Peer Group's median revenues were $15.6 billion and market capitalization was $12.7 billion, while YUM's were $18.6 billion (calculated as described below) and $27.2 billion respectively.

For companies with significant franchise operations, measuring size can be complex. There are added complexities and responsibilities for managing the relationships, arrangements, and overall scope of the franchising enterprise, in particular, managing product introductions, marketing, driving new unit development, and driving customer satisfaction and overall operations improvements across the entire franchise system. Accordingly, in calibrating size-adjusted market values, our philosophy is to add 25% ($7.7 billion in 2011) of franchisee and licensee sales ($30.6 billion in 2011) to the Company's sales ($10.9 billion in 2011) to establish an appropriate revenue benchmark. The reason for this approach is based on our belief that the correct calibration of complexity and responsibility lies between corporate-reported revenues and system wide revenues.

Competitive Positioning

Meridian provided the Executive Peer Group compensation data to the Committee and it was used as a frame of reference for establishing compensation targets for base salary, annual bonus and long-term incentives for all of the NEOs at the beginning of 2013. However, this data is not the only factor considered for our NEOs' compensation, and it does not supplant the analyses of the individual performance of all of the NEOs. Because the comparative compensation information is one of several factors used in the setting of executive compensation, the Committee applies discretion in determining the nature and extent of its use.

For the CEO, the Company generally attempts to target pay at the 75th percentile of the market, specifically, 75th percentile total cash and total direct compensation. The Company has a philosophy for its NEOs (other than for the CEO) to target the third quartile for base salary, 75th percentile for target bonus and 50th percentile for long-term incentives. For bonus, we use the average of the last three year's actual bonus paid rather than target bonus when benchmarking for all NEOs. When benchmarking and making decisions about the CEO's SARs and options, we use a grant date fair value based on the full 10-year term rather than the expected term of all SARs and options granted by the

Company. This methodology is a more appropriate method to determine the award amount as it better reflects the actual historical holding pattern for SARs granted to our CEO. Our CEO receives fewer shares under this practice than if we used the expected term of all SARs granted by the Company.

Our CEO's and all other NEO's target total direct compensation was above the 75th percentile of our Executive Peer Group for 2013. It is important to emphasize that this is the competitive positioning of our compensation opportunities. Realized pay is driven substantially by Company performance, as discussed on page 30.

Elements of Executive Compensation Program

Our annual executive compensation program has three primary pay components: Base salary, annual performance-based cash bonuses and long-term equity performance-based incentives. We also offer retirement and additional benefits.

Element	Objective	Form
Base salary	Attract and retain high-caliber talent and provide a fixed level of cash compensation.	Cash
Annual Performance-Based Cash Bonuses	Motivate high performance and reward short-term Company, team and individual performance.	Cash
Long-Term Equity Performance-Based Incentives	Align the interests of executives with shareholders and emphasize long-term results.	SAR & PSU
Retirement and Additional Benefits	Provide for long-term retirement income and basic health and welfare coverage.	Various

Details on each program element follow.

Base Salary

We provide base salary to compensate our NEOs for their primary roles and responsibilities and to provide a stable level of annual compensation. A NEO's actual salary varies based on the role, level of his responsibility, experience, individual performance, future potential and market value. Specific salary increases take into account these factors. In addition, salary increases may be warranted based on a promotion or change in the responsibilities of the NEO. The Committee reviews the NEOs' salary and performance annually.

Based on the Committee's review, the following actions were taken regarding base salary for 2013:

NEO	2013 Base Salary	Action	Reason
Novak	$ 1,450,000	No increase	No increase since existing total cash compensation is slightly above our target philosophy
Grismer	$ 650,000	18% increase	Based on recent move to CFO position; adjustment aligned his base salary with our target philosophy
Su	$ 1,100,000	No increase	No increase since existing base salary is above our target philosophy
Creed	$ 750,000	No increase	No increase since existing base salary is above our target philosophy
Pant	$ 750,000	No increase	No increase since existing base salary is slightly above our target philosophy

Annual Performance-Based Cash Bonuses

Our performance-based annual bonus program, the Yum Leaders' Bonus Program, is a cash-based plan. The principal purpose of the Yum Leaders' Bonus Program is to motivate and reward team and individual performance that drives shareholder value.

The formula for calculating the performance-based annual bonus under the Yum Leaders' Bonus Program is:

Base Salary	×	Annual Target Bonus Percentage	×	Team Performance (0 – 200%)	×	Individual Performance (0 – 150%)	=	Bonus Payout (0 – 300%)

Bonus Targets

Based on the Committee's review, the following actions were taken regarding bonus targets for 2013:

NEO	2013 Bonus Target Percentage	Action	Reason
Novak	160%	No change	No increase since total target cash compensation is at our target philosophy
Grismer	100%	Increase from 75%	Based on recent move to CFO position; adjustment aligned his bonus target with our target philosophy
Su	115%	No change	No increase since existing annual incentive target opportunity is above our target philosophy
Creed	100%	No change	No increase since existing annual incentive target opportunity is slightly above our target philosophy
Pant	100%	No change	No increase since existing annual incentive target opportunity is at our target philosophy

Team Performance

The Committee established team performance measures, targets and weighting in January 2013 based on recommendations from management. The objectives were also reviewed by the Board to ensure the goals support the Company's overall strategic objectives.

The performance targets were developed through the Company's annual financial planning process, which takes into account division growth strategies, historical performance, and the expected future operating environment. These projections include profit growth to achieve our EPS growth target.

When setting targets for each specific team performance measure, the Company takes into account overall business goals and structures the target to motivate achievement of desired performance consistent with our EPS growth commitment to shareholders.

A leverage formula for each team performance measure magnifies the potential impact that performance above or below the performance target will have on the calculation of annual bonus. This leverage increases the payouts when targets are exceeded and reduces payouts when performance is below target. There is a threshold level of performance for all measures that must be met in order for any bonus to be paid. Additionally, all measures have a cap on the level of performance over which no additional bonus will be paid regardless of performance above the cap.

The performance targets are comparable to those we disclose to our investors and, when determined to be appropriate by our Committee, may be slightly above or below disclosed guidance. Division targets may be adjusted during the year when doing so is consistent with the objectives and intent at the time the targets were originally set. In 2013, some division operating profit growth targets were adjusted to reflect certain Company-approved investments and restaurant divestitures not reflective of annual operating performance. These adjustments had no material impact on our NEOs' compensation.

Detailed Breakdown of 2013 Team Performance

The team performance targets, actual results, weights and overall performance for each measure for our NEOs are outlined below.

TEAM PERFORMANCE

NEO	Measures	Target	Actual	Earned Award as % of Target	Weighting	Final Team Performance
Novak, Grismer	Weighted Average Divisions' Team Factors[1]			89	50%	45
	Earnings Per Share Growth (excluding special items)	10%	(9)%	0	50%	0
	FINAL YUM TEAM FACTOR					**45**
Su	Operating Profit Growth[2]	12%	(26)%	0	50%	0
	System Sales Growth	15%	(4)%	0	20%	0
	System Gross New Builds	650	740	200	20%	40
	System Customer Satisfaction	100	172	172	10%	17
	Total Weighted Team Performance - China Division					57
	FINAL CHINA TEAM FACTOR[3]					**54**
Creed	Operating Profit Growth[5]	6%	8%	147	40%	59
	System Same-Store Sales Growth	3%	3%	85	20%	17
	Restaurant Margin	18%	19%	200	20%	40
	System Customer Satisfaction	Blended	Blended	171	20%	34
	Total Weighted Team Performance - Taco Bell					150
	Final Taco Bell Team Factor[3]					124
	FINAL TACO BELL TEAM FACTOR WITH CHAIRMAN'S INCENTIVE POINTS[4]					**139**
Pant	Operating Profit Growth[2][6]	10%	9%	72	50%	36
	System Sales Growth	6%	5%	71	15%	11
	System Net Builds	500	604	200	20%	40
	System Customer Satisfaction	Blended	Blended	130	15%	19
	Total Weighted Team Performance – YRI Division					106
	FINAL YRI TEAM FACTOR[3]					**91**

(1) *Weighted average based on each Division's contribution to overall segment operating profit of YUM in 2013, not including the 15 Chairman's Incentive Points given to Taco Bell.*

(2) *Excludes the impact of foreign exchange.*

(3) *Final team factor reflects 75% division and 25% YUM weighting.*

(4) *Taco Bell received 15 additional discretionary points for being named marketer of the year, sharing know how, highest overall operating results in the Company, and external recognition of operations measures.*

(5) *Actual operating profit growth target was adjusted for the impact of refranchising in 2012 and 2013.*

(6) *Actual operating profit growth target was adjusted for the impact of certain non-recurring costs within our Pizza Hut U.K. market in 2012.*

Individual Performance

Our Board, under the leadership of the Committee Chair, approved Mr. Novak's written goals at the beginning of the year and conducted a mid-year and year-end evaluation of his performance. These evaluations included a review of his leadership pertaining to the achievement of his written goals that included business results, leadership in the development and implementation of Company strategies, and development of Company culture and talent.

The Committee determined that Mr. Novak's overall performance for 2013 was below target, as Yum's financial results were below target, and awarded him an individual performance factor of 90. This individual performance factor, combined with YUM's team factor of 45, resulted in him receiving 41% of his target bonus. This determination was based on the Committee's assessment of Mr. Novak's performance against his written goals including (without assigning a weight to any particular item):

- Not achieving EPS growth target of 10%; EPS declined by 9%[1];
- System same-store sales were flat or declined in every division except Taco Bell and YRI;
- YRI opened a record 1,055 new restaurants last year and China exceeded their development plan;
- Grew operating profit by 10%[2] at YRI, driven by same-store sales growth and net new unit development, and 3% in the U.S, with Taco Bell U.S. leading the way with restaurant level margins of 19%;
- Development of strong leaders and fostering the customer-focused employee culture in the Company; and
- His continued commitment to corporate social responsibility through the World Food Programme and other hunger-related organizations.

Individual performance of the NEOs (other than the CEO) is based upon the Committee's subjective assessment of each NEO's performance for the year, including consideration of specific objective individual performance goals set at the beginning of the year. The CEO provides the Committee with his evaluation of each of the NEO's performance and recommends an individual performance rating to the Committee.

For Mr. Grismer, the Committee determined his performance as the Chief Financial Officer was below target and approved a 95 individual performance factor. This was based upon below target Company financial performance. The Committee also determined that Mr. Grismer positively impacted the Company's long-term opportunities by driving Company-wide strategic growth priorities and division initiatives. Mr. Grismer's individual performance factor, combined with a team factor of 45, resulted in him receiving 43% of his target bonus.

For Mr. Su, the Committee determined his overall individual performance for 2013 was below target and approved a 90 individual performance factor. This was based upon the China Division not achieving operating profit or system sales growth targets. The Committee also determined China Division's productivity improvement and new store builds were important achievements in 2013 that will aid future performance. Mr. Su's individual performance factor, combined with a team factor of 54, resulted in him receiving 49% of his target bonus.

For Mr. Creed, the Committee determined his overall individual performance for 2013 was significantly above target and approved a 145 individual performance factor. This determination was based upon his overall leadership of Taco Bell: exceeding operating profit, restaurant development and restaurant margin plans, driving product innovation and promoting brand differentiation through a focus on digital media. Mr. Creed's individual performance factor, combined with a team factor of 139, resulted in him receiving 202% of his target bonus.

For Mr. Pant, the Committee determined his overall individual performance for 2013 was on target and approved a 115 individual performance factor. This was based upon YRI significantly exceeding its development and customer satisfaction targets, essentially meeting its operating profit target, while achieving near-plan system sales growth. Mr. Pant's individual performance factor, combined with a team factor of 91, resulted in him receiving 105% of his target bonus.

(1) Prior to Special Items
(2) Prior to foreign currency translations

Summary of Earned Annual Incentives for 2013

The table below summarizes how the formula was applied and the actual amounts earned for 2013 performance.

NEO	Base Salary Year End 2013		Annual Target Bonus Percentage		Team Performance		Individual Performance		Bonus Paid for 2013 Performance
Novak	$ 1,450,000	X	160%	X	45%	X	90%	=	$ 939,600
Grismer	$ 650,000	X	100%	X	45%	X	95%	=	$ 277,875
Su	$ 1,100,000	X	115%	X	54%	X	90%	=	$ 614,790
Creed	$ 750,000	X	100%	X	139%	X	145%	=	$ 1,511,625
Pant	$ 750,000	X	100%	X	91%	X	115%	=	$ 784,875

Long-Term Equity Performance-Based Incentives

We provide performance-based long-term equity compensation to our NEOs to encourage long-term decision making that creates shareholder value. To that end, we use vehicles that motivate and balance the tradeoffs between short-term and long-term performance. Performance-based long-term equity compensation also serves as a retention tool.

Our NEOs are awarded long-term incentives annually based on the Committee's subjective assessment of the following items for each NEO (without assigning weight to any particular item):

- Prior year individual and team performance
- Expected contribution in future years
- Consideration of the market value of the executive's role compared with similar roles in our Executive Peer Group
- Achievement of stock ownership guidelines

Proxy Statement

Stock Appreciation Rights/Stock Options

In general, our SARs have ten-year terms and vest 25% per year over four years. Each stock option and SAR award was granted with an exercise price based on the closing market price of the underlying YUM common stock on the date of grant.

Each year, the Committee reviews the mix of long-term incentives to determine if it is appropriate to continue predominantly using stock options and SARs as the long-term incentive vehicle. The Committee continues to choose stock options and SARs because they emphasize the Company's focus on long-term growth and they reward employees only if YUM's stock price increases. For each NEO, the breakdown between SARs/stock option award and PSU award values can be found under the Summary Compensation Table, page 44 at columns d and e.

Performance Share Plan

The Committee changed the design of the PSU awards granted in 2013, as discussed at page 30. The PSU awards granted in 2013 can be earned based on 3-year average TSR relative to the companies in the S&P 500. The target, threshold and maximum shares that may be paid out under these awards for each NEO are described at page 47. The target grant value for the CEO is 25% of his total LTI award value and for the other NEOs is 20% of their total LTI award value.

For the performance period covering 2013-2015 calendar years, each NEO will earn a percentage of their target PSU award based on the achieved TSR percentile ranking as set forth in the chart below:

TSR Percentile Ranking	<40%	40%	50%	70%	90%
Payout as % of Target	0%	50%	100%	150%	200%

Dividend equivalents will accrue during the performance period and will be distributed as incremental shares but only in the same proportion and at the same time as the original awards are earned. If no awards are earned, no dividend equivalents will be paid. The awards are eligible for deferral under the Company's Executive Income Deferral Program. As discussed on page 32, PSU awards that were granted in 2011 were not paid out since YUM's average earnings per share during the 2011-2013 performance cycle did not reach the required minimum average growth threshold of seven percent.

2013 Long-term Incentive Awards

Based on the Committee's assessment as described above, the Committee set the following 2013 values for long-term incentive awards, including SAR and PSU awards, for each NEO:

NEO	2013 Grant Value	Reason
Novak	$ 6,825,000[(1)]	Awarded above target philosophy based on strong 2012 performance and his sustained long-term results in role
Grismer	$ 1,225,000[(1)(2)]	Awarded below target philosophy based on partial year in CFO role
Su	$ 2,100,000[(1)]	Awarded above our target philosophy based on delivering sustained long-term results and importance of his leadership in running the China Division
Creed	$ 1,525,000[(1)]	Awarded above target philosophy based on his sustained long-term results in role
Pant	$ 1,525,000[(1)]	Awarded above target philosophy based on his sustained long-term results in role

(1) 2013 grant values are rounded to the nearest $25,000 to reflect the Committee approved valuation figures.

(2) Mr. Grismer's 2013 grant value excludes his 2013 Chairman's Award of $675,000 (rounded to the nearest $25,000 to reflect the Committee-approved valuation figures), which was awarded based on his recent promotion to the CFO role.

Retirement and Additional Benefits

Retirement Benefits

We offer several types of competitive retirement benefits.

The YUM! Brands Retirement Plan ("Retirement Plan") is a broad-based qualified plan designed to provide a retirement income based on years of service with the Company and average annual earnings. Mr. Novak is the only NEO who actively participates in the Retirement Plan. Mr. Creed is not an active participant in the Retirement Plan; however, he maintains a balance in the Retirement Plan from the two years (2002 and 2003) that he was a participant.

The PEP is offered to employees at all levels who meet the eligibility requirements, and is a "restoration plan" intended to restore benefits otherwise lost under the qualified plan due to various governmental limits. This plan is based on the same underlying formula as the Retirement Plan. None of our NEOs participate in the PEP, as Mr. Novak ceased participating in the PEP in 2012.

For executives hired or re-hired after September 30, 2001, the Company implemented the LRP. This is an unfunded, unsecured account-based retirement plan which allocates a percentage of pay to an account payable to the executive following the later to occur of the executive's separation of employment from the Company or attainment of age 55. As discussed in the Summary Compensation Table at footnote 5, beginning in 2013, Mr. Novak started receiving an allocation to his LRP account equal to 9.5% of his base salary and target bonus and will receive an annual earnings credit on his account balance equal to 120% of the applicable federal rate. For 2013, Mr. Grismer and Mr. Pant were also eligible for the LRP. Under the LRP, they receive an annual allocation to their accounts equal to a percentage of their base salary and target bonus (9.5% for Mr. Grismer and 20% for Mr. Pant) and an annual earnings credit of 5%.

The Company provides retirement benefits for certain international employees through the YUM! Brands International Retirement Plan ("YIRP") and the Third Country National Plan ("TCN"). The YIRP is an unfunded, non-qualified plan that provides benefits similar to, and pursuant to the same terms and conditions as, the Retirement Plan without regard to Internal Revenue Service limitations on amounts of includible compensation and maximum benefits. The TCN is an unfunded, unsecured account-based retirement plan that provides an annual contribution floor of 7.5% of salary and target bonus and an annual earnings credit of 5% on the balance. The Company can add an additional 7.5%, for a maximum total contribution of 15% annually. Mr. Su is the only NEO who participates in the YIRP. Mr. Creed is the only NEO who participates in the TCN. Under this plan, he receives an annual contribution equal to 15% of his base salary and target bonus and an annual earnings credit of 5%.

Benefits payable under these plans are described in more detail beginning on page 51.

Medical, Dental, Life Insurance and Disability Coverage

We also provide other benefits such as medical, dental, life insurance and disability coverage to each NEO through benefit plans, which are also provided to all eligible U.S.-based salaried employees. Eligible employees can purchase additional life, dependent life and accidental death and dismemberment coverage as part of their employee benefits package. Our broad-based employee disability plan limits the annual benefit coverage to $300,000.

Perquisites

Mr. Novak is required to use the Company aircraft for personal as well as business travel pursuant to the Company's executive security program established by the Board of Directors. The Board's security program also covers Mrs. Novak when she accompanies Mr. Novak. The Board has considered past instances of potential safety concerns for the CEO and Mrs. Novak and consequently decided to require Mr. Novak to use the corporate aircraft for personal travel. We do not provide tax gross-ups on the personal use of the Company aircraft.

The Company pays for the cost of the transmission of home security information from Mr. Novak's home to our security department.

Mr. Su receives perquisites related to his overseas assignment which were part of his original compensation package and ratified by the Committee. The Committee reviewed these benefits during 2013 and has elected to continue to provide them noting that this practice is consistent with how we treat other executives on foreign assignment. Mr. Su's agreement stipulates that the following will be provided:

- Housing, commodities and utilities allowances
- Tax preparation services
- Tax equalization to Hong Kong with respect to income attributable to certain stock option and SAR exercises and to distributions of deferred income

Upon retirement from the Company, Mr. Su will be required to reimburse the Company for the tax reimbursements for certain stock option and SAR exercises, if any, made within six months of his retirement.

Compensation Policies & Practices

YUM's Executive Stock Ownership Guidelines

The Committee has established stock ownership guidelines for our top 600 employees, including the NEOs. If a NEO or other executive does not meet his or her ownership guidelines, he or she is not eligible for a long-term equity incentive award. In 2013, all NEOs and all other employees subject to guidelines met or exceeded their ownership guidelines.

NEO	Ownership Guidelines	Shares Owned[(1)]	Value of Shares[(2)]	Multiple of Salary
Novak	336,000	2,741,863	$ 207,312,261	143
Grismer	30,000[(3)]	44,131	$ 3,336,745	5
Su	50,000	430,437	$ 32,545,342	30
Creed	50,000	110,772	$ 8,375,471	11
Pant	50,000	104,860	$ 7,928,465	11

(1) *Calculated as of December 31, 2013 and represents shares owned outright and vested RSUs granted to Mr. Novak in 2008 and all RSUs awarded under the Company's Executive Income Deferral Program.*

(2) *Based on YUM closing stock price of $75.61 as of December 31, 2013.*

(3) *Mr. Grismer's ownership guidelines will increase by 10,000 shares each of the next two years until 50,000 shares are reached.*

Payments Upon Termination of Employment

The Company does not have agreements with its executives concerning payments upon termination of employment except in the case of a change in control of the Company. The Committee believes these are appropriate agreements for retaining NEOs and other executive officers to preserve shareholder value in case of a potential change in control. The Committee periodically reviews these agreements and other aspects of the Company's change in control program.

The Company's change in control agreements, in general, entitle NEOs terminated other than for cause within two years of the change in control, to receive a benefit of two times salary and bonus. The terms of these change in control agreements are described beginning on page 57.

In 2013, the Company eliminated tax gross-ups for executives, including the NEOs, for any excise tax due under Section 4999 of the Internal Revenue Code and implemented a "best net after-tax" approach to address any potential excise tax imposed on executives. If any excise tax is due, the Company will not make a gross-up payment, but instead will reduce payments to an executive if the reduction will provide the NEO the best net after-tax result. If full payment to a NEO will result in the best net after-tax result, the full amount will be paid, but the NEO will be solely responsible for any potential excise tax payment. Also, effective for equity awards made in 2013 and beyond, outstanding awards will fully and immediately vest if the executive is employed on the date of a change in control of the Company and is involuntarily terminated (other than by the Company for cause) on or within two years following the change in control ("double trigger" vesting).

In case of retirement, the Company provides pension and life insurance benefits, the continued ability to exercise vested SARs and stock options and the ability to vest in performance share awards on a pro-rata basis.

With respect to consideration of how these benefits fit into the overall compensation policy, the change-in-control benefits are reviewed from time to time by the Committee for competitiveness. The Committee believes the benefits provided in case of a change in control are appropriate, support shareholder interests and are consistent with the policy of attracting and retaining highly qualified employees.

YUM's Stock Option and SAR Granting Practices

Historically, we have awarded non-qualified stock option and SAR grants annually at the Committee's January meeting. This meeting date is set by the Board of Directors more than six months prior to the actual meeting. The Committee sets the annual grant date as the second business day after our fourth quarter earnings release. The exercise price of awards granted under our LTIP is set as the closing price on the date of grants. We make grants at the same time other elements of annual compensation are determined so that we can consider all elements of compensation in making the grants. We do not backdate or make grants retroactively. In addition, we do not time such grants in coordination with our possession or release of material, non-public or other information.

Grants may also be made on other dates the Board of Directors meets. These grants generally are Chairman's Awards, which are made in recognition of superlative performance and extraordinary impact on business results.

Management recommends the awards be made pursuant to our Long Term Incentive Plan to the Committee, however, the Committee determines whether and to whom it will issue grants and determines the amount of the grant. The Board of Directors has delegated to Mr. Novak and Anne Byerlein, our Chief People Officer, the ability to make grants to employees who are not executive officers and whose grant is less than approximately 13,000 options or SARs annually. In the case of these grants, the Committee sets all the terms of each award, except the actual number of SARs or options, which is determined by Mr. Novak and Ms. Byerlein pursuant to guidelines approved by the Committee in January of each year.

Limits on Future Severance Agreement Policy

The Committee has adopted a policy to limit future severance agreements with NEOs or our other executives. The policy requires the Company to seek shareholder approval for future severance payments to a NEO if such payments would exceed 2.99 times the sum of (a) the NEO's annual base salary as in effect immediately prior to termination of employment; and (b) the highest annual bonus awarded to the NEO by the Company in any of the Company's three full fiscal years immediately preceding the fiscal year in which termination of employment occurs or, if higher, the executive's target bonus. Certain types of payments are excluded from this policy, such as amounts payable under arrangements that apply to classes of employees other than the NEOs or that predate the implementation of the policy, as well as any payment the Committee determines is a reasonable settlement of a claim that could be made by the NEO.

Compensation Recovery Policy

The Committee has adopted a Compensation Recovery Policy (i.e., "clawback") for stock awards and annual bonuses awarded after 2008. Pursuant to this policy, executive officers (including the NEOs) may be required to return compensation paid based on financial results that were later restated. This policy applies only if the executive officers engaged in knowing misconduct that contributed to the need for a material restatement, or contributed to the use of inaccurate metrics in the calculation of incentive compensation. Under this policy, when the Board determines in its sole discretion that recovery of compensation is appropriate, the Company could require repayment of all or a portion of any bonus, incentive payment, equity-based award or other compensation, to the fullest extent permitted by law.

Hedging and Pledging of Company Stock

Under our Code of Conduct, no employee or director is permitted to engage in securities transactions that would allow them either to insulate themselves from, or profit from, a decline in the Company stock price. Similarly, no employee or director may enter into hedging transactions in the Company's stock. Such transactions include (without limitation) short sales as well as any hedging transactions in derivative securities (e.g. puts, calls, swaps, or collars) or other speculative transactions related to YUM's stock. Pledging of Company stock is also prohibited.

Deductibility of Executive Compensation

The provisions of Section 162(m) of the Internal Revenue Code limit the tax deduction for compensation in excess of $1 million dollars paid to certain NEOs. Performance-based compensation is excluded from the limit, however, so long as it meets certain requirements. The Committee intends that the annual bonus, stock option, SAR, RSU and PSU awards satisfy the requirements for exemption under Internal Revenue Code Section 162(m).

For 2013, the annual salary paid to Mr. Novak exceeded $1 million. The Committee sets Mr. Novak's salary as described under "Base Salary" above. The other NEOs were in each case paid salaries of $1 million or less, except for Mr. Su whose salary exceeded $1 million;·however, the Committee noted that Mr. Su's compensation is not subject to United States tax rules and, therefore, the one million dollar limitation does not apply in his case. The 2013 annual bonuses were all paid pursuant to our annual bonus program and, therefore, we expect will be deductible, except in one case described below. For 2013, the Committee set the maximum individual award opportunity between $1 million and $10 million based on the Company's 2013 EPS growth (adjusted to exclude special items believed to be distortive of consolidated results on a year-over-year basis-these are the same items excluded in the Company's annual earnings releases). Based on the Company's EPS decline of 9%, the maximum 2013 award opportunity for each executive officer was $1 million. The Committee then exercised its negative discretion in determining actual incentive awards based on team performance and individual performance measures as described above. Except for Mr. Creed, the 2013 annual bonus awarded to the other NEOs was less than $1 million. The Committee elected to pay Mr. Creed a bonus exceeding $1 million based on strong performance in leading Taco Bell (see page 38 for a discussion of Mr. Creed's performance.)

Due to the Company's focus on performance-based compensation plans, we expect most compensation paid to the NEOs to continue to qualify as tax deductible.

Management Planning and Development Committee Report

The Management Planning and Development Committee of the Board of Directors reports that it has reviewed and discussed with management the section of this proxy statement headed "Compensation Discussion and Analysis" and, on the basis of that review and discussion, recommended to the Board that the section be incorporated by reference into the Company's Annual Report on Form 10-K and included in this proxy statement.

THE MANAGEMENT PLANNING AND DEVELOPMENT COMMITTEE

Robert D. Walter, *Chair*
David W. Dorman
Massimo Ferragamo
Thomas M. Ryan

Proxy Statement

The following tables provide information on the compensation of the Named Executive Officers ("NEOs") for our 2013 fiscal year. The Company's NEOs are our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated officers for our 2013 fiscal year determined in accordance with SEC rules.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)	Stock Awards ($)[2]	Option/ SAR Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)[4]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[5]	All Other Compensation ($)[6]	Total ($)
(a)	(b)	(c)		(d)	(e)	(f)	(g)	(h)	(i)
David C. Novak Chairman and Chief Executive Officer of YUM	2013	1,450,000	—	1,568,655	5,255,519	939,600	17,351	776,268	10,007,393
	2012	1,450,000	—	773,022	5,625,960	4,584,320	1,345,665	389,388	14,168,355
	2011	1,474,038	—	773,024	5,807,028	4,541,400	7,507,185	309,177	20,411,852
Patrick J. Grismer Chief Financial Officer of YUM[7]	2013	638,462	—	114,098	1,765,138	277,875	3,977	179,480	2,979,030
	2012	500,308	—	1,014,347	493,551	—	6,115	104,652	2,118,973
Jing-Shyh S. Su Vice Chairman of the Board of YUM Chairman and Chief Executive Officer of YUM Restaurants China	2013	1,100,000	—	342,294	1,765,123	614,790	727,430	5,768,264	10,317,901
	2012	1,088,462	—	385,029	2,467,739	2,039,813	5,537,865	5,042,547	16,561,455
	2011	1,007,692	—	324,986	1,668,280	3,105,000	4,556,233	1,842,530	12,504,721
Greg Creed Chief Executive Officer of Taco Bell[8]	2013	750,000	—	203,735	1,323,839	1,511,625	7,348	238,737	4,035,284
Muktesh Pant Chief Executive Officer of Yum! Restaurants International[9]	2013	750,000	—	203,735	1,323,839	784,875	15,640	309,198	3,387,287
	2012	750,000	—	250,027	1,727,413	1,620,000	25,225	313,092	4,685,757
	2011	644,231	—	169,986	2,418,782	1,110,038	14,005	308,786	4,665,828

(1) The amounts reflect compensation for 53 weeks in 2011 compared to 52 weeks in fiscal 2013 and 2012 due to timing of fiscal period end. Amounts shown are not reduced to reflect the NEOs' elections, if any, to defer receipt of salary into the Executive Income Deferral ("EID") Program or into the Company's 401(k) Plan.

(2) Amounts shown in column (d) represent the grant date fair values for performance share units (PSUs) granted in 2013, 2012 and 2011 and, for Mr. Grismer, restricted stock units (RSUs) granted in 2012. Further information regarding the 2013 awards is included in the "Grants of Plan-Based Awards" and "Outstanding Equity Awards at Year-End" tables later in this proxy statement. The grant date fair value of the PSUs reflected in this column is the target payout based on the probable outcome of the performance condition, determined as of the grant date. The maximum potential values of the PSUs is 200% of target. For 2013, Mr. Novak's PSU maximum value at grant date fair value would be $3,137,310; Mr. Grismer's PSU maximum value would be $228,196; Mr. Su's PSU maximum value would be $684,588; Mr. Creed's PSU maximum value would be $407,470; and Mr. Pant's PSU maximum value would be $407,470. In 2012, Mr. Grismer did not receive a PSU award since he became a NEO after PSU awards were granted for that year. Mr. Grismer was instead permitted to defer his annual incentive award into RSUs under the Company's EID Program. Under the EID Program (which is described in more detail beginning on page 53), an executive may defer his or her annual incentive award and invest that deferral into stock units, RSUs, or other investment alternatives offered under the EID Program. An executive who elects to defer his or her annual incentive award into RSUs receives additional RSUs equal to 33% of the RSUs acquired with the deferral of the annual incentive award ("matching contribution"). As a result, for 2012, the amount in that column represents the deferral of 100% of Mr. Grismer's annual incentive award ($760,760), plus his matching contribution ($253,587).

(3) The amounts shown in column (e) represent the grant date fair values of the stock options and stock appreciation rights (SARs) awarded in 2013, 2012 and 2011, respectively. For a discussion of the assumptions and methodologies used to value the awards reported in column (d) and column (e), please see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2013 Annual Report in Notes to Consolidated Financial Statements at Note 15, "Share-based and Deferred Compensation Plans." For Mr. Grismer, this column also includes his 2013 Chairman's Award with a grant date fair value of $661,927. See the Grants of Plan-Based Awards table for details.

(4) Except as provided below and in footnote (2) above, amounts in column (f) reflect the annual incentive awards earned for the 2013, 2012 and 2011 fiscal year performance periods, which were awarded by our Management Planning and Development Committee ("Committee") in January 2014, January 2013 and January 2012, respectively, under the Yum Leaders' Bonus Program, which is described further in our Compensation Discussion and Analysis ("CD&A") beginning at page 28 under the heading "Annual Performance-Based Cash Bonuses". Pursuant to SEC rules, annual incentives deferred into RSUs under the EID Program and subject to a risk of forfeiture are reported in column (d). If the deferral or a portion of the deferral is not subject to a risk of forfeiture, it is reported in column (f). In 2012, Mr. Grismer elected to defer 100% of his annual incentive ($760,760) into RSUs resulting in nothing to report for him in column (f) for that year.

(5) The amount listed under "Change In Pension Value", column (g) for Mr. Novak, reflects the aggregate increase in actuarial present value of his accrued benefit under the YUM! Brands Retirement Plan ("Retirement Plan") during the 2013 fiscal year (using interest rate and mortality assumptions consistent with those used in the Company's financial statements). As discussed in the CD&A, effective January 1, 2012, the Committee discontinued Mr. Novak's accruing nonqualified pension benefits under the YUM! Brands, Inc. Pension Equalization Plan ("PEP") and, effective January 1, 2013, replaced his PEP benefit with a pension account determined under the Leadership Retirement Plan ("LRP"). The amount transferred to his LRP-based pension account effective January 1, 2013 was $27,600,000 (representing his December 31, 2012 estimated lump amount under PEP). Mr. Novak now receives a market rate of interest on his LRP account plus an annual benefit allocation equal to 9.5% of his salary plus target bonus.

For Mr. Su, amounts in column (g) reflect the aggregate increase in actuarial present value of age 62 accrued benefits under the Yum International Retirement Plan ("YIRP") during the 2013 fiscal year. See the Pension Benefits Table at page 51 for a detailed discussion of the Company's pension benefits. Mr. Grismer and Mr. Pant were hired after September 30, 2001, and were ineligible for the Company's Retirement Plan. Mr. Creed is not an active participant in the Retirement Plan but holds a balance under the Retirement Plan from the two years (2002 and 2003) during which he was a participant. His benefit under the Retirement Plan reflects an aggregate decrease in the actuarial present value ($13,181), which in accordance with SEC rules is not reflected in the Summary Compensation Table.

For Messrs. Grismer, Creed and Pant, amounts in column (g) also represent the above market earnings as established pursuant to SEC rules which have accrued under each of their accounts under the LRP for Messrs. Grismer and Pant and the Third Country National Plan ("TCN") for Mr. Creed, which is described in more detail beginning at page 53 under the heading "Nonqualified Deferred Compensation".

(6) Amounts in column (h) are explained in the All Other Compensation Table and footnotes to that table, which follows.

(7) Mr. Grismer became a NEO in May 2012. No amounts are reported for Mr. Grismer for 2011 since he was not a NEO for that year.

(8) No amounts are reported for Mr. Creed for 2011 and 2012 since he was not a NEO for those years.

(9) As of January 2014, Mr. Pant's title is Chief Executive Officer of KFC.

All Other Compensation Table

The following table contains a breakdown of the compensation and benefits included under All Other Compensation in the Summary Compensation Table above for 2013.

Name	Perquisites and other personal benefits ($)(1)	Tax Reimbursements ($)(2)	Insurance premiums ($)(3)	LRP/TCN Contributions ($)(4)	Other ($)(5)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Novak	388,203	—	26,796	358,150	3,119	776,268
Grismer	—	51,144	4,836	123,500	—	179,480
Su	221,139	5,511,651	20,591	—	14,883	5,768,264
Creed	—	—	9,198	225,000	4,539	238,737
Pant	—	—	9,198	300,000	—	309,198

(1) Amounts in this column include for Mr. Novak: incremental cost for the personal use of Company aircraft ($388,203)—we calculate the incremental cost to the Company of any personal use of Company aircraft based on the cost of fuel, trip-related maintenance, crew travel, on board catering, landing and license fees, "dead head" costs of flying planes to and from locations for personal use, and contract labor; and for Mr. Su: expatriate spendables/housing allowance ($221,139).

(2) Amounts in this column reflect payments to the executive of tax reimbursements. For Mr. Su, as explained at page 41, this amount represents the Company-provided tax reimbursement for China income taxes incurred on deferred income distributions and stock option exercises which exceed the marginal Hong Kong tax rate and a tax equalization settlement amount related to income for 2012. For Mr. Grismer, this amount represents the adjustment and equalization of foreign tax payments incurred with respect to income recognized in 2013 that was attributable to a previous international assignment.

(3) These amounts reflect the income each executive was deemed to receive from IRS tables related to Company-provided life insurance in excess of $50,000. The Company provides every salaried employee with life insurance coverage up to one times the employee's salary plus target bonus.

(4) For Messrs. Novak, Grismer and Pant, this column represents Company annual allocations to the LRP, an unfunded, unsecured account based retirement plan. For Mr. Creed, this column represents the Company's annual allocation to the TCN, an unfunded, unsecured account based retirement plan.

(5) This column reports the total amount of other benefits provided, none of which individually exceeded the greater of $25,000 or 10% of the total amount of these benefits and the perquisites and other personal benefits shown in column (b) for each NEO. These other benefits include: home security expense, home leave expenses, club dues, personal use of Company aircraft and tax preparation assistance.

Grants of Plan-Based Awards

The following table provides information on stock options, SARs, RSUs and PSUs granted for 2013 to each of the Company's NEOs. The full grant date fair value of these awards is shown in the Summary Compensation Table at page 44.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)					
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Option Awards; Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option/ SAR Awards ($/Sh)(4)	Grant Date Fair Value($)(5)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Novak	2/6/2013	0	2,320,000	6,960,000						
	2/6/2013							360,956	62.93	5,255,519
	2/6/2013				—	30,590	61,180			1,568,655
Grismer	2/6/2013	0	650,000	1,950,000						
	2/6/2013							75,770	62.93	1,103,211
	2/6/2013							45,462	62.93	661,927
	2/6/2013				—	2,225	4,450			114,098
Su	2/6/2013	0	1,265,000	3,795,000						
	2/6/2013							121,231	62.93	1,765,123
	2/6/2013				—	6,675	13,350			342,294
Creed	2/6/2013	0	750,000	2,250,000						
	2/6/2013							90,923	62.93	1,323,839
	2/6/2013				—	3,973	7,946			203,735
Pant	2/6/2013	0	750,000	2,250,000						
	2/6/2013							90,923	62.93	1,323,839
	2/6/2013				—	3,973	7,946			203,735

(1) Amounts in columns (c), (d) and (e) provide the minimum amount, target amount and maximum amounts payable as annual incentive compensation under the Yum Leaders' Bonus Program based on the Company's performance and on each executive's individual performance during 2013. The actual amount of annual incentive compensation awarded for 2013 are shown in column (f) of the Summary Compensation Table on page 44. The performance measurements, performance targets, and target bonus percentages are described in the CD&A beginning on page 28 under the discussion of annual incentive compensation.

(2) Reflects grants of PSU awards subject to performance-based vesting conditions under the LTIP in 2013. The PSU awards vest on December 31, 2015 and PSU award payouts are subject to the Company's achievement of specified relative total shareholder return ("TSR") rankings against its peer group (which is the S&P 500) during the performance period ending on December 31, 2015. The performance target for all the PSU awards granted to the NEOs in 2013 is a 50% TSR percentile ranking for the Company, determined by comparing the Company's relative TSR ranking against its peer group as measured at the end of the performance period. If the 50% TSR percentile ranking target is achieved, 100% of the PSU award will pay out in shares of Company stock, subject to executive's election to defer PSU awards into the EID Program. If less than 40% TSR percentile ranking is achieved, there will be no payout. If the Company's TSR percentile ranking is 90% or higher, PSU awards pay out at the maximum, which is 200% of target. The terms of the PSU awards provide that in case of a change in control during the first year of the award shares will be distributed assuming target performance was achieved subject to reduction to reflect the portion of the performance period following the change in control. In case of a change in control after the first year of the award, shares will be distributed assuming performance at the greater of target level or projected level at the time of the change in control subject to reduction to reflect the portion of the performance period following the change in control.

(3) Amounts in this column reflect the number of 2013 SARs and stock options granted to executives during the Company's 2013 fiscal year. SARs allow the grantee to receive the number of shares of YUM common stock that is equal in value to the appreciation in YUM common stock with respect to the number of SARs granted from the date of grant to the date of exercise. For each executive, the grants were made February 6, 2013. SARs/stock options become exercisable in equal installments on the first, second, third and fourth anniversaries of the grant date; except, however, 45,462 SARs granted to Mr. Grismer become exercisable on the fifth anniversary of the grant date. The terms of each SAR/stock option grant provide that, in case of a change in control if an executive is employed on the date of a change in control and is involuntarily terminated on or within two years following the change in control (other than by the Company for cause) then all outstanding awards become exercisable immediately.

Participants who have attained age 55 with 10 years of service who terminate employment may exercise SARs/stock options that were vested on their date of termination through the expiration date of the SAR/stock option (generally, the tenth anniversary following the SARs/stock options grant date). Vested SARs/stock options of grantees who die may also be exercised by the grantee's beneficiary through the expiration date of the vested SARs/stock options and the grantee's unvested SARs/stock options expire on the grantee's date of death. If a grantee's employment is terminated due to gross misconduct, the entire award is forfeited. For other employment terminations, all vested or previously exercisable SARs/stock options as of the last day of employment must be exercised within 90 days following termination of employment.

(4) The exercise price of the SARs/stock options granted in 2013 equals the closing price of YUM common stock on the grant date, February 6, 2013.

(5) Amounts in this column reflect the full grant date fair value of the PSU awards shown in column (g) and the SARs/stock options shown in column (i). These amounts reflect the amounts to be recognized by the Company as accounting expense and do not correspond to the actual value that will be recognized by the NEOs. The grant date fair value is the amount that the Company is expensing in its financial statements over the award's vesting schedule. For PSU awards granted prior to 2013, fair value was calculated using the closing price of the Company's common stock on the date of grant. In 2013, the Company granted PSU awards with market-based conditions valued using a Monte Carlo simulation. For SARs/stock options, fair value of $14.56 was calculated using the Black-Scholes value on the February 6, 2013 grant date. For additional information regarding valuation assumptions of SARs/stock options, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2013 Annual Report in Notes to Consolidated Financial Statements at Note 15, "Share-based and Deferred Compensation Plans." There can be no assurance that the SARs/stock options will ever be exercised or PSU awards paid out (in which case no value will be realized by the executive) or that the value upon exercise or payout will equal the grant date fair value.

Outstanding Equity Awards at Year-End

The following table shows the number of shares covered by exercisable and unexercisable stock options, SARs, and unvested RSUs and PSUs held by the Company's NEOs on December 31, 2013.

		Option/SAR Awards[1]				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[3]	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)[4]	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)[3]
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Novak	1/26/2006	517,978	—	$24.47	1/26/2016				
	1/19/2007	490,960	—	$29.61	1/19/2017				
	1/24/2008	428,339	—	$37.30	1/24/2018				
	2/5/2009	575,102	—	$29.29	2/5/2019				
	2/5/2010	467,943	155,982[i]	$32.98	2/5/2020				
	2/4/2011	248,127	248,127[ii]	$49.30	2/4/2021				
	2/8/2012	94,332	282,996[iii]	$64.44	2/8/2022				
	2/6/2013	—	360,956[iv]	$62.93	2/6/2023				
						—	—	85,172	6,439,855
Grismer	1/26/2006	16,630	—	$24.47	1/26/2016				
	1/19/2007	19,938	—	$29.61	1/19/2017				
	5/17/2007	16,262	—	$33.20	5/17/2017				
	1/24/2008	20,079	—	$37.30	1/24/2018				
	2/5/2009	33,830	—	$29.29	2/5/2019				
	5/21/2009	15,853	—	$33.21	5/21/2019				
	2/5/2010	25,818	8,606[i]	$32.98	2/5/2020				
	2/5/2010	—	43,030[v]	$32.98	2/5/2020				
	2/4/2011	12,220	12,220[ii]	$49.30	2/4/2021				
	2/8/2012	8,275	24,827[iii]	$64.44	2/8/2022				
	2/6/2013	—	75,770[iv]	$62.93	2/6/2023				
	2/6/2013	—	45,462[vi]	$62.93	2/6/2023				
						25,244	1,908,699	4,450	336,465
Su	1/28/2005	130,078	—	$22.53	1/28/2015				
	1/26/2006	124,316	—	$24.47	1/26/2016				
	1/19/2007	132,918	—	$29.61	1/19/2017				
	1/24/2008	107,085	—	$37.30	1/24/2018				
	1/24/2008	267,712	—	$37.30	1/24/2018				
	2/5/2009	202,977	—	$29.29	2/5/2019				
	2/5/2010	129,088	43,030[i]	$32.98	2/5/2020				
	2/4/2011	71,283	71,284[ii]	$49.30	2/4/2021				
	2/8/2012	41,377	124,132[iii]	$64.44	2/8/2022				
	2/6/2013	—	121,231[iv]	$62.93	2/6/2023				
						183,290	13,858,557	25,300	1,912,933

		Option/SAR Awards(1)				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options/ SARs (#) Exercisable	Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable	Option/ SAR Exercise Price ($)	Option/ SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)(4)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)(3)
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Creed	1/24/2008	107,085	—	$37.30	1/24/2018				
	2/5/2009	169,148	—	$29.29	2/5/2019				
	2/5/2010	129,088	43,030(i)	$32.98	2/5/2020				
	2/4/2011	61,100	61,100(ii)	$49.30	2/4/2021				
	2/8/2012	20,688	62,067(iii)	$64.44	2/8/2022				
	2/6/2013	—	90,923(iv)	$62.93	2/6/2023				
						—	—	15,396	1,164,092
Pant	7/21/2005	25,731	—	$26.53	7/21/2015				
	1/26/2006	41,440	—	$24.47	1/26/2016				
	1/26/2006	49,726	—	$24.47	1/26/2016				
	1/19/2007	49,844	—	$29.61	1/19/2017				
	1/24/2008	133,856	—	$37.30	1/24/2018				
	1/24/2008	53,543	—	$37.30	1/24/2018				
	2/5/2009	135,318	—	$29.29	2/5/2019				
	2/5/2010	86,058	28,687(i)	$32.98	2/5/2020				
	2/4/2011	50,916	50,917(ii)	$49.30	2/4/2021				
	11/18/2011	—	94,949(vii)	$53.84	11/18/2021				
	2/8/2012	28,964	86,892(iii)	$64.44	2/8/2022				
	2/6/2013	—	90,923(iv)	$62.93	2/6/2023				
						—	—	15,706	1,187,531

(1) Except as follows, all options and SARs listed above vest at a rate of 25% per year over the first four years of the ten-year option term. For Mr. Grismer, the grants listed as expiring on May 17, 2017 and May 21, 2019 were each granted with 100% vesting after four years. Certain grants expiring for Mr. Grismer on February 5, 2020 (43,030 SARs) and February 6, 2023 (45,462 SARs), for Mr. Su on January 24, 2018 (267,712 options), and for Mr. Pant on January 24, 2018 (133,856 SARs) and November 18, 2021 (94,949 SARs), were each granted with 100% vesting after five years.

The actual vesting dates for unexercisable award grants are as follows:

(i) All the unexercisable shares will vest on February 5, 2014.

(ii) One-half of the unexercisable grant will vest on each of February 4, 2014 and 2015.

(iii) One-third of the unexercisable grant will vest on each of February 8, 2014, 2015 and 2016.

(iv) One-fourth of the unexercisable grant will vest on each of February 6, 2014, 2015, 2016 and 2017.

(v) All unexercisable grants will vest on February 5, 2015.

(vi) All unexercisable grants will vest on February 6, 2018.

(vii) All unexercisable grants will vest on November 18, 2016.

(2) Amounts in this column represent RSUs that have not vested. For Mr. Su, the 183,290 RSUs represent a 2010 retention award (including accrued dividends) that vests after five years. For Mr. Grismer, this amount represents deferrals of his 2011 and 2012 bonuses into the EID Program's Matching Stock Fund.

(3) The market value of these awards are calculated by multiplying the number of shares covered by the award by $75.61, the closing price of YUM stock on the NYSE on December 31, 2013.

(4) The awards reflected in this column are unvested performance-based PSU awards with three-year performance periods that are scheduled to vest on December 27, 2014 or December 31, 2015 if the performance targets are met. In accordance with SEC rules, the PSU awards are reported at their maximum payout value.

Proxy Statement

Option Exercises and Stock Vested

The table below shows the number of shares of YUM common stock acquired during 2013 upon exercise of stock option and SAR awards and vesting of stock awards in the form of RSUs and PSUs, each including accumulated dividends and before payment of applicable withholding taxes and broker commissions. For 2013, no RSUs became vested and 2011 PSU awards for the 2011-2013 performance cycle were not paid out since the average earnings per share during the performance cycle did not reach the required minimum average growth threshold of seven percent. Therefore, there is nothing to report for the NEOs in columns (d) and (e).

	Option/SAR Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value realized on Vesting ($)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**
Novak	334,272	17,315,657	—	—
Grismer	32,503	1,543,414	—	—
Su	175,228	9,417,664	—	—
Creed	189,901	13,122,211	—	—
Pant	12,865	629,923	—	—

Pension Benefits

The table below shows the present value of accumulated benefits payable to each of the NEOs, including the number of years of service credited to each NEO, under the YUM! Brands Retirement Plan ("Retirement Plan"), the YUM! Brands, Inc. Pension Equalization Plan ("PEP"), and the YUM! Brands International Retirement Plan ("YIRP") determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements.

2013 FISCAL YEAR PENSION BENEFITS TABLE

Name (a)	Plan Name (b)	Number of Years of Credited Service (#) (c)	Present Value of Accumulated Benefit[4] ($) (d)	Payments During Last Fiscal Year ($) (e)
Novak(i)	Retirement Plan[1]	27	1,395,996	—
	Pension Equalization Plan[2]	—	—	—
Grismer(ii)	—	—	—	—
Su	International Retirement Plan[3]	24	18,503,747	—
Creed(iii)	Retirement Plan[1]	2	125,882	—
Pant(ii)	—	—	—	—

(i) Mr. Novak no longer receives benefits under the PEP. The Management Planning and Development Committee discontinued Mr. Novak's accruing pension benefits under the PEP effective January 1, 2012 and replaced this benefit, effective January 1, 2013, with a benefit determined under the Leadership Retirement Plan ("LRP"), an unfunded, unsecured, deferred account-based retirement plan. See footnote (5) to the Summary Compensation Table at page 44 for more detail. No other NEOs participate in this plan.

(ii) Mr. Grismer and Mr. Pant are not accruing a benefit under these plans because each was hired after September 30, 2001 and are therefore ineligible for these benefits. Mr. Grismer and Mr. Pant participate in the LRP.

(iii) Mr. Creed is not an active participant in the Retirement Plan but maintains a balance in the Retirement Plan for the two years (2002 and 2003) during which he was a participant in the plan. As discussed at page 40, Mr. Creed participates in the Third Country National plan, an unfunded, unsecured deferred account-based retirement plan.

(1) YUM! Brands Retirement Plan

The Retirement Plan provides an integrated program of retirement benefits for salaried employees who were hired by the Company prior to October 1, 2001. The Retirement Plan replaces the same level of pre-retirement pensionable earnings for all similarly situated participants. The Retirement Plan is a tax qualified plan, and it is designed to provide the maximum possible portion of this integrated benefit on a tax qualified and funded basis.

Benefit Formula

Benefits under the Retirement Plan are based on a participant's final average earnings (subject to the limits under Internal Revenue Code Section 401(a)(17)) and service under the plan. Upon termination of employment, a participant's normal retirement benefit from the plan is equal to

A. 3% of Final Average Earnings times Projected Service up to 10 years of service, plus
B. 1% of Final Average Earnings times Projected Service in excess of 10 years of service, minus
C. .43% of Final Average Earnings up to Social Security covered compensation multiplied by Projected Service up to 35 years of service

the result of which is multiplied by a fraction, the numerator of which is actual service as of date of termination, and the denominator of which is the participant's Projected Service.

Projected Service is the service that the participant would have earned if he had remained employed with the Company until his normal retirement age (generally age 65).

If a participant leaves employment after becoming eligible for early or normal retirement, benefits are calculated using the formula above except that actual service attained at the participant's retirement date is used in place of Projected Service.

Final Average Earnings

A participant's final average earnings is determined based on his highest five consecutive years of pensionable earnings. Pensionable earnings is the sum of the participant's base pay and annual incentive compensation from the Company, including amounts under the Yum Leaders' Bonus Program. In general, base pay includes salary, vacation pay, sick pay and short term disability payments. Extraordinary bonuses and lump sum payments made in connection with a participant's termination of employment are not included.

Vesting

A participant receives a year of vesting service for each year of employment with the Company. A participant is 0% vested until he has been credited with at least five years of vesting service. Upon attaining five years of vesting service, a participant becomes 100% vested. All NEOs eligible for the Retirement Plan or YIRP are 100% vested.

Proxy Statement

Normal Retirement Eligibility

A participant is eligible for normal retirement following the later of age 65 or 5 years of vesting service.

Early Retirement Eligibility and Reductions

A participant is eligible for early retirement upon reaching age 55 with 10 years of vesting service. A participant who has met the requirements for early retirement and who elects to begin receiving payments from the plan prior to age 62 will receive a reduction of 1/12 of 4% for each month benefits begin before age 62. Benefits are unreduced at age 62.

The table below shows when each of the NEOs became eligible for early retirement and the estimated lump sum value of the benefit each participant would receive from YUM plans (both qualified and non-qualified) if he retired from the Company on December 31, 2013 and received a lump sum payment.

Name	Earliest Retirement Date	Estimated Lump Sum from a Qualified Plan(1)	Estimated Lump Sum from a Non-Qualified Plan(2)	Total Estimated Lump Sum
David C. Novak	November 1, 2007	1,433,263	—	1,433,263
Jing-Shyh S. Su	May 1, 2007	—	18,691,094	18,691,094
Greg Creed	August 1, 2012	166,010	—	166,010

(1) The Retirement Plan

(2) The YIRP

The estimated lump sum values in the table above are calculated assuming no increase in the participant's Final Average Earnings. The lump sums are estimated using the mortality table and interest rate assumptions in the Retirement Plan. Actual lump sums may be higher or lower depending on the mortality table and interest rate in effect at the time of distribution and the participant's Final Average Earnings at his date of retirement.

Lump Sum Availability

Lump sum payments are available to participants who meet the requirements for early or normal retirement. Participants who leave the Company prior to meeting the requirements for Early or Normal Retirement must take their benefits in the form of a monthly annuity and no lump sum is available. When a lump sum is paid from the plan, it is calculated based on actuarial assumptions for lump sums required by Internal Revenue Code Section 417(e)(3).

(2) YUM! Brands, Inc. Pension Equalization Plan

The PEP is an unfunded, non-qualified plan that complements the Retirement Plan by providing benefits that federal tax law bars providing under the Retirement Plan. Benefits are generally determined and payable under the same terms and conditions as the Retirement Plan (except as noted below) without regard to federal tax limitations on amounts of includible compensation and maximum benefits. Benefits paid are reduced by the value of benefits payable under the Retirement Plan.

Participants who earned at least $75,000 during calendar year 1989 are eligible to receive benefits calculated under the Retirement Plan's pre-1989 formula, if this calculation results in a larger benefit from the PEP. This formula is similar to the formula described above under the Retirement Plan except that part C of the formula is calculated as follows:

C. $1^2/_3$% of an estimated primary Social Security amount multiplied by Projected Service up to 30 years

Retirement distributions are always paid in the form of a lump sum. In the case of a participant whose benefits are payable based on the pre-1989 formula, the lump sum value is calculated as the actuarial equivalent to the participant's 50% Joint and Survivor Annuity with no reduction for survivor coverage. In all other cases, lump sums are calculated as the actuarial equivalent of the participant's life only annuity. Participants who terminate employment prior to meeting eligibility for early or normal retirement must take their benefits from this plan in the form of a monthly annuity.

(3) YUM! Brands International Retirement Plan

The YIRP is an unfunded, non-qualified defined benefit plan that covers certain international employees who are designated by the Company as third country nationals. Mr. Su is eligible for benefits under this plan. The YIRP provides a retirement benefit similar to the Retirement Plan except that part C of the formula is calculated as the sum of:

a) Company financed State benefits or Social Security benefits if paid periodically

b) The actuarial equivalent of all State paid or mandated lump sum benefits financed by the Company

c) Any other Company financed benefits that are attributable to periods of pensionable service and that are derived from a plan maintained or contributed to by the Company or one or more of the group of corporations that is controlled by the Company.

Benefits are payable under the same terms and conditions as the Retirement Plan without regard to Internal Revenue Service limitations on amounts of includible compensation and maximum benefits.

(4) Present Value of Accumulated Benefits

For all plans, the Present Value of Accumulated Benefits (determined as of December 31, 2013) is calculated assuming that each participant is eligible to receive an unreduced benefit payable in the form of a single lump sum at age 62. This is consistent with the methodologies used in financial accounting calculations. In addition, the economic assumptions for the lump sum interest rate, post retirement mortality, and discount rate are also consistent with those used in financial accounting calculations at each measurement date.

Nonqualified Deferred Compensation

Amounts reflected in the Nonqualified Deferred Compensation table below are provided for under the Company's Executive Income Deferral ("EID") Program, Leadership Retirement Plan ("LRP") and Third Country National Plan ("TCN"). These plans are unfunded, unsecured deferred, account-based compensation plans. For each calendar year, participants are permitted under the EID Program to defer up to 85% of their base pay and up to 100% of their annual incentive award. As discussed beginning at page 40, Messrs. Novak, Grismer and Pant are eligible to participate in the LRP. The LRP provides an annual allocation to the accounts of Messrs. Novak and Grismer equal to 9.5% of each of his salary plus target bonus and to Mr. Pant's account equal to 20% of his salary plus target bonus. As discussed beginning at page 40, Mr. Creed is eligible to participate in the TCN. The TCN provides for an annual allocation to Mr. Creed's account equal to 15% of his salary plus target bonus.

EID Program

Deferred Investments under the EID Program. Amounts deferred under the EID Program may be invested in the following phantom investment alternatives (12 month investment returns are shown in parentheses):

- YUM! Stock Fund (16.26%*)
- YUM! Matching Stock Fund (16.26%*)
- S&P 500 Index Fund (32.32%)
- Bond Market Index Fund (-2.12%)
- Stable Value Fund (1.58%)

All of the phantom investment alternatives offered under the EID Program are designed to match the performance of actual investments; that is, they provide market rate returns and do not provide for preferential earnings. The S&P 500 index fund, bond market index fund and stable value fund are designed to track the investment return of like-named funds offered under the Company's 401(k) Plan. The YUM! Stock Fund and YUM! Matching Stock Fund track the investment return of the Company's common stock. Participants may transfer funds between the investment alternatives on a quarterly basis except (1) funds invested in the YUM! Stock Fund or YUM! Matching Stock Fund may not be transferred once invested in these funds and (2) a participant may only elect to invest into the YUM! Matching Stock Fund at the time the annual incentive deferral election is made. In the case of the Matching Stock Fund, participants who defer their annual incentive into this fund acquire additional phantom shares (called restricted stock units ("RSUs")) equal to 33% of the RSUs received with respect to the deferral of their annual incentive into the YUM! Matching Stock Fund (the additional RSUs are referred to as "matching contributions"). The RSUs attributable to the matching contributions are allocated on the same day the RSUs attributable to the annual incentive are allocated, which is the same day we make our annual stock appreciation right grants. Amounts attributable to the matching contribution under the YUM! Matching Stock Fund are reflected in column (c) below as contributions by the Company (and represent amounts actually credited to the NEO's account during 2013). Beginning with their 2009 annual incentive award, NEOs are no longer eligible to participate in the Matching Stock Fund.

* *Assumes dividends are not reinvested.*

RSUs attributable to annual incentive deferrals into the YUM! Matching Stock Fund and matching contributions vest on the second anniversary of the grant (or upon a change of control of the Company, if earlier) and are payable as shares of YUM common stock pursuant to the participant's deferral election. Unvested RSUs held in a participant's YUM! Matching Stock Fund account are forfeited if the participant voluntarily terminates employment with the Company within two years of the deferral date. If a participant terminates employment involuntarily, the portion of the account attributable to the matching contributions is forfeited and the participant will receive an amount equal to the amount of the original amount deferred. If a participant dies or becomes disabled during the restricted period, the participant fully vests in the RSUs. Dividend equivalents are accrued during the restricted period but are only paid if the RSUs vest. RSUs held by a participant who has attained age 65 with five years of service vest immediately. In the case of a participant who has attained age 55 with 10 years of service, RSUs attributable to pre-2009 bonus deferrals into the YUM! Matching Stock Fund vest immediately and RSUs attributable to the matching contribution vest on a pro rata basis during the period beginning on the date of grant and ending on the first anniversary of the grant and are fully vested on the first anniversary.

Distributions under EID Program. When participants elect to defer amounts into the EID Program, they also select when the amounts ultimately will be distributed to them. Distributions may either be made in a specific year—whether or not employment has then ended—or at a time that begins at or after the executive's retirement, separation or termination of employment.

Distributions can be made in a lump sum or up to 20 annual installments. Initial deferrals are subject to a minimum two year deferral. In general, with respect to amounts deferred after 2005 or not fully vested as of January 1, 2005, participants may change their distribution schedule, provided the new elections satisfy the requirements of Section 409A of the Internal Revenue Code. In general, Section 409A requires that:

- Distribution schedules cannot be accelerated (other than for a hardship)
- To delay a previously scheduled distribution,
  - A participant must make an election at least one year before the distribution otherwise would be made, and
  - The new distribution cannot begin earlier than five years after it would have begun without the election to re-defer.

With respect to amounts deferred prior to 2005, to delay a distribution the new distribution cannot begin until two years after it would have begun without the election to re-defer.

Investments in the YUM! Stock Fund and YUM! Matching Stock Fund are only distributed in shares of Company stock.

LRP

LRP Account Returns. The LRP provides an annual earnings credit to each participant's account based on the value of participant's account at the end of each year. Under the LRP, Mr. Novak receives an annual earnings credit equal to 120% of the applicable federal interest rate. Mr. Grismer and Mr. Pant each receive an annual earnings credit equal to 5%. The Company's contribution ("Employer Credit") for 2013 is equal to 9.5% of salary plus target bonus for Mr. Novak and Mr. Grismer and 20% for Mr. Pant.

Distributions under LRP. Under the LRP, participants age 55 or older with a balance of $15,000 or more, are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 who separate from the Company will receive interest annually and their account balance will be distributed in the quarter following their 55th birthday. The benefit is monitored each quarter to determine if any distribution provisions apply.

TCN

TCN Account Returns. The TCN provides an annual earnings credit to each to each participant's account based on the value of participant's account at the end of each year. Under the TCN, Mr. Creed receives an annual earnings credit equal to 5%. For Mr. Creed, the Employer Credit for 2013 is equal to 15% of his salary plus target bonus.

Distributions under TCN. Under the TCN, participants age 55 or older with a balance of $15,000 or more, are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 who separate employment with the Company will receive interest annually and their account balance will be distributed in the quarter following their 55th birthday. The benefit is monitored each quarter to determine if any distribution provisions apply.

Name	Executive Contributions in Last FY ($)[(1)]	Registrant Contributions in Last FY ($)[(2)]	Aggregate Earnings in Last FY ($)[(3)]	Aggregate Withdrawals/ Distributions ($)[(4)]	Aggregate Balance at Last FYE ($)[(5)]
(a)	(b)	(c)	(d)	(e)	(f)
Novak	7,315,445	27,958,150	26,608,702	475,401	231,226,476
Grismer	760,760	377,087	337,781	5,513	2,478,162
Su	3,183,968	—	891,966	3,206,011	8,516,801
Creed	1,282,223	225,000	978,829	419,171	8,141,880
Pant	—	300,000	1,031,605	11,672	9,202,644

(1) *Amounts in column (b) reflect amounts that were also reported as compensation in our Summary Compensation Table filed last year or, would have been reported as compensation in our Summary Compensation Table last year if the executive were a NEO.*

(2) *Amounts in column (c) reflect Company contributions for EID Program matching contribution, LRP and/or TCN allocation as follows: Mr. Grismer, $253,587 EID matching contribution and $123,500 LRP allocation; Mr. Creed, $225,000 TCN allocation; and Mr. Pant, $300,000 LRP allocation. For Mr. Novak, the amount in this column represents the beginning balance in his LRP account as a result of the transfer of his benefit out of the PEP effective January 1, 2013 ($27,600,000) and his LRP allocation ($358,150). See footnote 5 of the Summary Compensation Table for more detail.*

(3) *Amounts in column (d) reflect earnings during the last fiscal year on deferred amounts. All earnings are based on the investment alternatives offered under the EID Program or the earnings credit provided under the LRP or the TCN described in the narrative above this table. The EID Program earnings are market based returns and, therefore, are not reported in the Summary Compensation Table. For Messrs. Grismer and Pant, of their earnings reflected in this column, $3,977 and $15,640 respectively were deemed above market earnings accruing to each of their accounts under the LRP. For Mr. Creed, of his earnings reflected in this column, $7,348 were deemed above market earnings accruing to his account under the TCN. Mr. Novak receives a market rate of interest on his account under the LRP. For above market earnings on nonqualified deferred compensation, see the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table.*

(4) *All amounts shown in column (e) were distributed in accordance with the executive's deferral election, except in the case of the following amounts distributed to pay payroll taxes due upon their account balance under the EID Program, LRP or TCN for 2013. For Messrs. Novak and Creed, their distributions reflected in this column also include immaterial tax adjustments for the payout of 2009 and 2010 PSU awards ($55,883 and $11,135 respectively).*

Novak	249,030
Grismer	5,513
Creed	10,708
Pant	11,672

(5) *Amounts reflected in column (f) are the year-end balances for each executive under the EID Program, TCN and the LRP. As required under SEC rules, below is the portion of the year-end balance for each executive which has previously been reported as compensation to the executive in the Company's Summary Compensation Table for 2013 and prior years or would have been reported as compensation if the executive had been a Named Executive Officer in those previous years.*

Novak	86,280,385
Grismer	2,096,682
Su	7,536,875
Creed	3,916,822
Pant	4,640,205

The difference between these amounts and the amount of the year-end balance for each executive represents the total aggregate earnings accumulated under the program with respect to that compensation.

Potential Payments Upon Termination or Change in Control

The information below describes and quantifies certain compensation that would become payable under existing plans and arrangements if the NEO's employment had terminated on December 31, 2013, given the NEO's compensation and service levels as of such date and, if applicable, based on the Company's closing stock price on that date. These benefits are in addition to benefits available generally to salaried employees, such as distributions under the Company's 401(k) Plan, retiree medical benefits, disability benefits and accrued vacation pay.

Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event, the Company's stock price and the executive's age.

Stock Options and SAR Awards. If one or more NEOs terminated employment for any reason other than retirement, death, disability or following a change in control as of December 31, 2013, they could exercise the stock options and SARs that were exercisable on that date as shown at the Outstanding Equity Awards at Year-End table on page 48, otherwise all options and SARs, pursuant to their terms, would have been forfeited and cancelled after that date. If the NEO had retired, died or become disabled as of December 31, 2013, exercisable stock options and SARs would remain exercisable through the term of the award. Except in the case of a change in control, no stock options or SARs become exercisable on an accelerated basis. Benefits a NEO may receive on a change of control are discussed below.

Deferred Compensation. As described in more detail beginning at page 53, the Named Executive Officers participate in the EID Program, which permits the deferral of salary and annual incentive compensation. The last column of the Nonqualified Deferred Compensation Table on page 55 includes each NEO's aggregate balance at December 31, 2013. The NEOs are entitled to receive their vested amount under the EID Program in case of voluntary termination of employment. In the case of involuntary termination of employment, they are entitled to receive their vested benefit and the amount of the unvested benefit that corresponds to their deferral. In the case of death, disability or retirement after age 65, they or their beneficiaries are entitled to their entire account balance as shown in the last column of the Nonqualified Deferred Compensation table on page 55.

In the case of an involuntary termination of employment as of December 31, 2013, each NEO would receive the following: Mr. Novak $202,182,864; Mr. Grismer $1,201,850; Mr. Su $8,516,801; Mr. Creed $7,163,701; and Mr. Pant $7,288,324. If Mr. Grismer had left voluntarily, he would have received no payout since this deferral was subject to vesting provisions which lapse in February 2014. As discussed at page 55, these amounts reflect bonuses previously deferred by the executive and appreciation on these deferred amounts (see page 53 for discussion of investment alternatives available under the EID). In Mr. Novak's case, over 80% of his balance is invested in Company RSUs, which he will receive in the form of Company stock following his retirement. The other NEOs' EID balances are invested primarily in RSUs. Thus, Mr. Novak and the other NEOs' EID account balances represent deferred bonuses (earned in prior years) and appreciation of their accounts based primarily on the performance of the Company's stock.

Leadership Retirement Plan. Under the LRP, participants age 55 are entitled to a lump sum distribution of their account balance following their termination of employment. Participants under age 55 who terminate with more than five years of service will receive their account balance at their 55th birthday. In case of termination of employment as of December 31, 2013, Mr. Novak would have received $29,043,612. Mr. Grismer would receive $615,165 when he attains age 55 and Mr. Pant would have received $1,914,320.

Third Country National Plan. Under the TCN, participants age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their termination of employment. Participants under age 55 who terminate will receive interest annually and their account balance will be distributed in the quarter following their 55th birthday. In case of termination of employment as of December 31, 2013, Mr. Creed would have received $978,179.

Performance Share Unit Awards. If one or more NEOs terminated employment for any reason other than retirement or death or following a change in control and prior to achievement of the performance criteria and vesting period, then the award would be cancelled and forfeited. If the NEO had retired, or died as of December 31, 2013, the PSU award would be paid out based on actual performance for the performance period, subject to a pro rata reduction reflecting the portion of the performance period not worked by the NEO. If any of these terminations had occurred on December 31, 2013, Messrs. Novak, Grismer, Su, Creed and Pant would have been entitled to $1,407,154, $56,910, $481,902, $295,614 and $303,686, respectively, assuming target performance.

Pension Benefits. The Pension Benefits Table on page 51 describes the general terms of each pension plan in which the NEOs participate, the years of credited service and the present value of the annuity payable to each NEO assuming termination of employment as of December 31, 2013. The table on page 52 provides the present value of the lump sum benefit payable to each NEO when they attain eligibility for Early Retirement (i.e., age 55 with 10 years of service) under the plans.

Life Insurance Benefits. For a description of the supplemental life insurance plans that provide coverage to the NEOs, see the All Other Compensation Table on page 46. If the NEOs had died on December 31, 2013, the survivors of Messrs. Novak, Grismer, Su, Creed and Pant would have received Company-paid life insurance of $3,360,000; $1,300,000; $2,365,000; $1,500,000; and $1,500,000, respectively, under this arrangement. Executives and all other salaried employees can purchase additional life insurance benefits up to a maximum combined company paid and additional life insurance of $3.5 million. This additional benefit is not paid or subsidized by the Company and, therefore, is not shown here.

Change in Control. Change in control severance agreements are in effect between YUM and certain key executives (including Messrs. Novak, Grismer, Su, Creed and Pant). These agreements are general obligations of YUM, and provide, generally, that if, within two years subsequent to a change in control of YUM, the employment of the executive is terminated (other than for cause, or for other limited reasons specified in the change in control severance agreements) or the executive terminates employment for Good Reason (defined in the change in control severance agreements to include a diminution of duties and responsibilities or benefits), the executive will be entitled to receive the following:

- a proportionate annual incentive assuming achievement of target performance goals under the bonus plan or, if higher, assuming continued achievement of actual Company performance until date of termination,
- a severance payment equal to two times the sum of the executive's base salary and the target bonus or, if higher, the actual bonus for the year preceding the change in control of the Company, and
- outplacement services for up to one year following termination.

In March 2013, the Company eliminated excise tax gross-ups and implemented a best net after-tax method. See the Company's CD&A on page 42 for more detail.

The change in control severance agreements have a three-year term and are automatically renewable each January 1 for another three-year term. An executive whose employment is not terminated within two years of a change in control will not be entitled to receive any severance payments under the change in control severance agreements.

Generally, pursuant to the agreements, a change in control is deemed to occur:

(i) if any person acquires 20% or more of the Company's voting securities (other than securities acquired directly from the Company or its affiliates);

(ii) if a majority of the Directors as of the date of the agreement are replaced other than in specific circumstances; or

(iii) upon the consummation of a merger of the Company or any subsidiary of the Company other than (a) a merger where the Company's Directors immediately before the change in control constitute a majority of the directors of the resulting organization, or (b) a merger effected to implement a recapitalization of the Company in which no person is or becomes the beneficial owner of securities of the Company representing 20% or more of the combined voting power of the Company's then-outstanding securities.

In addition to the payments described above, upon a change in control:

- All stock options and SARs held by the executive will automatically vest and become exercisable, except that for all stock options and SARs granted beginning in 2013, outstanding awards will fully and immediately vest following a change in control if the executive is employed on the date of the change in control of the Company and is involuntarily terminated (other than by the Company for cause) on or within two years following the change in control. See Company's CD&A on page 42 for more detail.
- All RSUs under the Company's EID Program held by the executive will automatically vest.
- All PSU awards under the Company's Performance Share Plan awarded in the year in which the change in control occurs will be paid out at target assuming a target level performance had been achieved for the entire performance period, subject to a pro rata reduction to reflect the portion of the performance period after the change in control. All PSUs awarded for performance periods that begin before the year in which the change in control occurs will be paid out assuming performance achieved for the performance period was at the greater of target level performance or projected level of performance at the time of the change in control, subject to pro rata reduction to reflect the portion of the performance period after the change in control, except that for PSU awards granted beginning in 2013, executives must be employed with the Company on the date of the change in control and involuntarily terminated upon or following the change in control and during the performance period. See Company's CD&A on page 42 for more detail.

Proxy Statement

If a change in control and each NEO's involuntary termination had occurred as of December 31, 2013, the following payments or other benefits would have been made or become available.

	Novak $	Grismer $	Su $	Creed $	Pant $
Severance Payment	$ 12,068,640	$ 2,821,520	$ 6,279,625	$ 5,595,000	$ 4,740,000
Annual Incentive	939,600	277,875	614,790	1,511,625	784,875
Accelerated Vesting of Stock Options and SARs	20,915,721	4,337,290	6,633,614	5,288,102	6,753,080
Accelerated Vesting of RSUs	—	1,946,760	13,858,633	—	—
Acceleration of PSU Performance/Vesting	1,407,154	56,910	481,902	295,614	303,686
Outplacement	25,000	25,000	25,000	25,000	25,000
TOTAL	**35,356,115**	**9,465,355**	**27,893,564**	**12,715,341**	**12,606,641**

If a change in control without an involuntary termination had occurred as of December 31, 2013, the following benefits would have become available.

	Novak $	Grismer $	Su $	Creed $	Pant $
Accelerated Vesting of Stock Options and SARs	$ 16,338,799	$ 2,800,068	$ 5,096,405	$ 4,135,198	$ 5,600,176
Accelerated Vesting of RSUs	—	1,946,760	13,858,633	—	—
Acceleration of PSU Performance/Vesting	624,743	—	311,173	193,995	202,067
TOTAL	**16,963,542**	**4,746,828**	**19,266,211**	**4,329,193**	**5,802,243**

DIRECTOR COMPENSATION

As described more fully below, this table summarizes compensation paid to each non-employee director during 2013.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option/SAR Awards ($)(2)(3)	All Other Compensation ($)(4)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)
Cavanagh, Michael	—	170,000	35,412	—	205,412
Dorman, David	—	170,000	35,412	10,000	215,412
Ferragamo, Massimo	—	170,000	35,412	—	205,412
Graddick-Weir, Mirian	—	170,000	35,412	—	205,412
Grissom, David	—	170,000	35,412	—	205,412
Hill, Bonnie	85,000	85,000	35,412	9,000	214,412
Linen, Jonathan	—	170,000	35,412	10,000	215,412
Nelson, Thomas	—	190,000	35,412	20,000	245,412
Ryan, Thomas	—	195,000	35,412	—	230,412
Walter, Robert	—	185,000	35,412	10,000	230,412

(1) Amounts in column (c) represent the grant date fair value for annual stock retainer awards granted to directors in 2013.

(2) Amounts in column (d) represent the grant date fair value for annual SARs granted in fiscal 2013. These amounts do not reflect amounts paid to or realized by the director for fiscal 2013. For a discussion of the assumptions used to value the awards, see the discussion of stock awards and option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of the 2013 Annual Report in Notes to Consolidated Financial Statements at Note 15, "Share-based and Deferred Compensation Plans."

(3) At December 31, 2013, the aggregate number of options and SARs awards outstanding for each non-management director was:

Name	Options	SARs
Cavanagh, Michael	—	4,135
Dorman, David	—	26,033
Ferragamo, Massimo	—	26,033
Graddick-Weir, Mirian	—	6,274
Grissom, David	—	4,354
Hill, Bonnie	7,812	26,033
Linen, Jonathan	10,476	26,033
Nelson, Thomas	—	17,616
Ryan, Thomas	7,812	26,033
Walter, Robert	—	19,600

Mr. Novak's and Mr. Su's outstanding awards are set forth on page 48.

(4) Represents amount of matching charitable contributions made on behalf of the director under the Company's matching gift program and/or the amount charitable contribution made in the director's name.

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board.

Employee Directors. Employee directors do not receive additional compensation for serving on the Board of Directors.

Non-Employee Directors Annual Compensation. Each director who is not an employee of YUM receives an annual stock grant retainer with a fair market value of $170,000 and an annual grant of vested SARs with respect to $150,000 worth of YUM common stock ("face value") with an exercise price equal to the fair market value of Company stock on the date of grant. Directors may request to receive up to one-half of their stock retainer in cash. The request must be submitted to the Chair of the Management Planning and Development Committee. For 2013, Bonnie Hill requested and received approval by the Committee Chair for a cash payment equal to one-half of her stock retainer. Directors may also defer payment of their retainers pursuant to the Directors Deferred Compensation Plan. Deferrals are invested in phantom Company stock and paid out in shares of Company stock. Deferrals may not be made for less than two years. In recognition of their added duties, the Lead Director of the Board (Mr. Ryan in 2013) receives an additional $25,000 stock retainer annually, the Chair of the Audit Committee (Mr. Nelson in 2013) receives an additional $20,000 stock retainer annually and the Chair of the Management Planning and Development Committee (Mr. Walter in 2013) receives an additional $15,000 stock retainer annually.

Initial Stock Grant upon Joining Board. Non-employee directors also receive a one-time stock grant with a fair market value of $25,000 on the date of grant upon joining the Board, distribution of which is deferred until termination from the Board.

Stock Ownership Requirements. Similar to executive officers, directors are subject to share ownership requirements. The directors' requirements provide that directors will not sell any of the Company's common stock received as compensation for service on the Board until the director has ceased being a member of the Board for one year (sales are permitted to cover income taxes attributable to any stock retainer payment or exercise of a stock option or SAR).

Matching Gifts. To further YUM's support for charities, non-employee directors are able to participate in the YUM! Brands, Inc. Matching Gifts Program on the same terms as YUM's employees. Under this program, the YUM! Brands Foundation will match up to $10,000 a year in contributions by the director to a charitable institution approved by the YUM! Brands Foundation. At its discretion, the Foundation may match director contributions exceeding $10,000. Mr. Nelson made a contribution in 2012 that was not matched until January 2013 and a contribution in 2013 that was matched in that year for a total of $20,000 of matched contributions.

Insurance. We also pay the premiums on directors' and officers' liability and business travel accident insurance policies. The annual cost of this coverage was approximately $2 million. This is not included in the tables above as it is not considered compensation to the directors.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes, as of December 31, 2013, the equity compensation plans under which we may issue shares of stock to our directors, officers and employees under the 1999 Long Term Incentive Plan ("1999 Plan"), the 1997 Long Term Incentive Plan (the "1997 Plan"), SharePower Plan and Restaurant General Manager Stock Option Plan ("RGM Plan").

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	18,918,636(1)	41.50(2)	8,119,303(3)
Equity compensation plans not approved by security holders(4)	403,780	48.76(2)	7,677,520
TOTAL	**19,322,416(1)**	**41.77(2)**	**15,796,823(3)**

(1) *Includes 5,532,948 shares issuable in respect of RSUs, performance units and deferred units.*

(2) *Weighted average exercise price of outstanding options and SARs only.*

(3) *Includes 4,059,652 shares available for issuance of awards of stock units, restricted stock, restricted stock units and performance share unit awards under the 1999 Plan.*

(4) *Awards are made under the RGM Plan.*

What are the key features of the 1999 Plan?

The 1999 Plan provides for the issuance of up to 70,600,000 shares of stock as non-qualified stock options, incentive stock options, SARs, restricted stock, restricted stock units, performance shares or performance units. Only our employees and directors are eligible to receive awards under the 1999 Plan. The purpose of the 1999 Plan is to motivate participants to achieve long range goals, attract and retain eligible employees, provide incentives competitive with other similar companies and align the interest of employees and directors with those of our shareholders. The 1999 Plan is administered by the Management Planning and Development Committee of the Board of Directors (the “Committee”). The exercise price of a stock option grant or SAR under the 1999 Plan may not be less than the average market price of our stock on the date of grant for years prior to 2008 or the closing price of our stock on the date of the grant beginning in 2008, and no options or SARs may have a term of more than ten years. The options and SARs that are currently outstanding under the 1999 Plan generally vest over a one to four year period and expire ten years from the date of the grant. Our shareholders approved the 1999 Plan in May 1999, and the plan as amended in 2003 and again in 2008. The performance measures of the 1999 Plan were re-approved by our shareholders in May 2013.

What are the key features of the 1997 Plan?

The 1997 Plan provides for the issuance of up to 90,000,000 shares of stock. Effective January 1, 2002, only restricted shares could be issued under this plan. This plan is utilized with respect to payouts on shares from our deferral plans and was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo, Inc. on October 6, 1997.

What are the key features of the SharePower Plan?

The SharePower Plan provides for the issuance of up to 28,000,000 shares of stock. The SharePower Plan allows us to award non-qualified stock options, SARs, restricted stock and restricted stock units. Employees, other than executive officers, are eligible to receive awards under the SharePower Plan. The SharePower Plan is administered by the Committee. The exercise price of a stock option or SAR grant under the SharePower Plan may not be less than the closing price of our stock on the date of the grant and no option or SAR may have a term of more than ten years. The options that are currently outstanding under the SharePower Plan generally vest over a one to four year period beginning on the date of grant. The SharePower Plan was originally approved by PepsiCo, Inc. as the sole shareholder of the Company in 1997, prior to the spin-off of the Company from PepsiCo, Inc. on October 6, 1997.

What are the key features of the RGM Plan?

The RGM Plan provides for the issuance of up to 30,000,000 shares of common stock at a price equal to or greater than the closing price of our stock on the date of grant. The RGM Plan allows us to award non-qualified stock options, SARs, restricted stock and RSUs. Employees, other than executive officers, are eligible to receive awards under the RGM Plan. The purpose of the RGM Plan is (i) to give restaurant general managers (“RGMs”) the opportunity to become owners of stock, (ii) to align the interests of RGMs with those of YUM’s other shareholders, (iii) to emphasize that the RGM is YUM’s #1 leader, and (iv) to reward the performance of RGMs. In addition, the Plan provides incentives to Area Coaches, Franchise Business Leaders and other supervisory field operation positions that support RGMs and have profit and loss responsibilities within a defined region or area. While all non-executive officer employees are eligible to receive awards under the RGM plan, all awards granted have been to RGMs or their direct supervisors in the field. Grants to RGMs generally have four year vesting and expire after ten years. The RGM Plan is administered by the Committee, and the Committee has delegated its responsibilities to the Chief People Officer of the Company. The Board of Directors approved the RGM Plan on January 20, 1998.

AUDIT COMMITTEE REPORT

Who serves on the Audit Committee of the Board of Directors?

The members of the Audit Committee are Mirian Graddick-Weir, J. David Grissom, Bonnie Hill, Jonathan S. Linen and Thomas C. Nelson, Chair.

The Board of Directors has determined that all of the members of the Audit Committee are independent within the meaning of applicable SEC regulations and the listing standards of the NYSE and that Mr. Nelson, the chair of the Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that Mr. Nelson has accounting and related financial management expertise within the meaning of the listing standards of the NYSE and that each member is financially literate within the meaning of the NYSE listing standards.

What document governs the activities of the Audit Committee?

The Audit Committee operates under a written charter adopted by the Board of Directors. The Committee's responsibilities are set forth in this charter, which was amended and restated effective November 22, 2013. The charter is reviewed by management at least annually, and any recommended changes are presented to the Audit Committee for review and approval. The charter is available on our Web site at *www.yum.com/investors/governance/charters.asp.*

What are the responsibilities of the Audit Committee?

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, the adequacy of the Company's system of internal controls and procedures and disclosure controls and procedures, the Company's risk management, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of the Company's internal audit function and independent auditors. The Committee has sole authority over the selection of the Company's independent auditors and manages the Company's relationship with its independent auditors (who report directly to the Committee). The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties and receive appropriate funding, as determined by the Committee, from the Company for such advice and assistance.

The Committee met 9 times during 2013. The Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Committee's meetings generally include private sessions with the Company's independent auditors and with the Company's internal auditors, in each case without the presence of the Company's management, as well as executive sessions consisting of only Committee members. In addition to the scheduled meetings, senior management confers with the Committee or its Chair from time to time, as senior management deems advisable or appropriate, in connection with issues or concerns that arise throughout the year.

Management is responsible for the Company's financial reporting process, including its system of internal control over financial reporting, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the U.S. The Company's independent auditors are responsible for auditing those financial statements in accordance with professional standards and expressing an opinion as to their material conformity with U.S. generally accepted accounting principles and for auditing the effectiveness of the Company's internal control over financial reporting. The Committee's responsibility is to monitor and review the Company's financial reporting process and discuss management's report on the Company's internal control over financial reporting. It is not the Committee's duty or responsibility to conduct audits or accounting reviews or procedures. The Committee has relied, without independent verification, on management's representations that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the U.S. and that the Company's internal control over financial reporting is effective. The Committee has also relied, without independent verification, on the opinion of the independent auditors included in their report regarding the Company's financial statements and effectiveness of internal control over financial reporting.

What matters have members of the Audit Committee discussed with management and the independent auditors?

As part of its oversight of the Company's financial statements, the Committee reviews and discusses with both management and the Company's independent auditors all annual and quarterly financial statements prior to their issuance. During 2013, management advised the Committee that each set of financial statements reviewed had been prepared in accordance with accounting principles generally accepted in the U.S., and reviewed significant accounting and disclosure issues with the Committee. These reviews included discussions with the independent auditors of matters required to be discussed pursuant to Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16 (*Communication with Audit Committees*), including the quality (not merely the acceptability) of the Company's accounting principles, the reasonableness of significant judgments, the clarity of disclosures in the financial statements and disclosures related to critical accounting practices. The Committee has also discussed with KPMG LLP matters relating to its independence, including a review of audit and non-audit fees and the written disclosures and letter received from KPMG LLP required by applicable requirements of the PCAOB regarding KPMG LLP's communications with the Committee concerning independence. The Committee also considered whether non-audit services provided by the independent auditors are compatible with the independent auditors' independence. The Committee also received regular updates, and written summaries as required by the PCAOB rules (for tax and other services), on the amount of fees and scope of audit, audit-related, tax and other services provided.

In addition, the Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company's internal and disclosure control structure. As part of this process, the Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement recommended improvements in internal procedures and controls. The Committee also reviews and discusses legal and compliance matters with management, and, as necessary or advisable, the Company's independent auditors.

Has the Audit Committee made a recommendation regarding the audited financial statements for fiscal 2013?

Based on the Committee's discussions with management and the independent auditors and the Committee's review of the representations of management and the report of the independent auditors to the Board of Directors, and subject to the limitations on the Committee's role and responsibilities referred to above and in the Audit Committee Charter, the Committee recommended to the Board of Directors that it include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2013 for filing with the SEC.

Who prepared this report?

This report has been furnished by the members of the Audit Committee:

Thomas C. Nelson, Chairperson
Mirian M. Graddick-Weir
J. David Grissom
Bonnie G. Hill
Jonathan S. Linen

ADDITIONAL INFORMATION

Who pays the expenses incurred in connection with the solicitation of proxies?

Expenses in connection with the solicitation of proxies will be paid by us. Proxies are being solicited principally by mail, by telephone and through the Internet. In addition, our directors, officers and regular employees, without additional compensation, may solicit proxies personally, by e-mail, telephone, fax or special letter. We will reimburse brokerage firms and others for their expenses in forwarding proxy materials to the beneficial owners of our shares.

How may I elect to receive shareholder materials electronically and discontinue my receipt of paper copies?

YUM shareholders with shares registered directly in their name who received shareholder materials in the mail may elect to receive future annual reports and proxy statements from us and to vote their shares through the Internet instead of receiving copies through the mail. We are offering this service to provide shareholders with added convenience, to reduce our environmental impact and to reduce Annual Report printing and mailing costs.

To take advantage of this option, shareholders must subscribe to one of the various commercial services that offer access to the Internet. Costs normally associated with electronic access, such as usage and telephone charges, will be borne by the shareholder.

To elect this option, go to *www.amstock.com*, click on Shareholder Account Access, log in and locate the option to receive Company mailing via e-mail. Shareholders who elect this option will be notified by mail how to access the proxy materials and how to vote their shares on the Internet or by phone.

If you consent to receive future proxy materials electronically, your consent will remain in effect unless it is withdrawn by writing our Transfer Agent, American Stock Transfer and Trust Company, LLC, 59 Maiden Lane, New York, NY 10038 or by logging onto our Transfer Agent's website at *www.amstock.com* and following the applicable instructions. Also, while this consent is in effect, if you decide you would like to receive a hard copy of the proxy materials, you may call, write or e-mail American Stock Transfer and Trust Company, LLC.

I share an address with another shareholder and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

The Company has adopted a procedure called "householding" which has been approved by the SEC. The Company and some brokers household proxy materials, delivering a single Notice and, if applicable, this proxy statement and Annual Report, to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders or they participate in electronic delivery of proxy materials. Shareholders who participate in householding will continue to access and receive separate proxy cards. This process will help reduce our printing and postage fees, as well as save natural resources. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to YUM! Brands, Inc., Investor Relations, 1441 Gardiner Lane, Louisville, KY 40213 or by calling Investor Relations at 1 (888) 298-6986 or by sending an e-mail to *yum.investor@yum.com.*

May I propose actions for consideration at next year's Annual Meeting of Shareholders or nominate individuals to serve as directors?

Under the rules of the SEC, if a shareholder wants us to include a proposal in our proxy statement and proxy card for presentation at our 2015 Annual Meeting of Shareholders, the proposal must be received by us at our principal executive offices at YUM! Brands, Inc., 1441 Gardiner Lane, Louisville, Kentucky 40213 by November 22, 2014. The proposal should be sent to the attention of the Corporate Secretary.

Under our bylaws, certain procedures are provided that a shareholder must follow to nominate persons for election as directors or to introduce an item of business at an Annual Meeting of Shareholders that is not included in our proxy statement. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an Annual Meeting of Shareholders must be submitted in writing to our Corporate Secretary at our principal executive offices and you must include information set forth in our bylaws. We must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2015 Annual Meeting no later than the date specified in our bylaws. If the 2015 Annual Meeting is not held within 30 days before or after the anniversary of the date of this year's Annual Meeting, then the nomination or item of business must be received by the tenth day following the earlier of the date of mailing of the notice of the meeting or the public disclosure of the date of the meeting. Our Annual Meeting of Shareholders is generally held on the third Thursday of May. Assuming that our 2015 Annual Meeting is held on schedule, we must receive notice of your intention to introduce a nomination or other item of business at that meeting by January 31, 2015.

The Board is not aware of any matters that are expected to come before the 2014 Annual Meeting other than those referred to in this proxy statement. If any other matter should come before the Annual Meeting, the individuals named on the form of proxy intend to vote the proxies in accordance with their best judgment.

The chairman of the Annual Meeting may refuse to allow the transaction of any business, or to acknowledge the nomination of any person, not made in compliance with the foregoing procedures.

Bylaw Provisions. You may contact YUM's Corporate Secretary at the address mentioned above for a copy of the relevant bylaw provisions regarding the requirements for making shareholder proposals and nominating director candidates.

Appendix A YUM! Brands, Inc. Executive Incentive Compensation Plan

Section 1 General

1.1 Purpose. The purpose of the Yum! Brands, Inc. Executive Incentive Plan (the "Plan") is to promote the interests of Yum! Brands, Inc. (the "Company" or "Yum") and its shareholders by (i) motivating executives, by means of performance-related incentives, to achieve financial goals; (ii) attracting and retaining executives of outstanding ability; (iii) strengthening the Company's capability to develop, maintain and direct a competent executive staff; (iv) providing annual incentive compensation opportunities which are competitive with those of other major corporations; and (v) enabling executives to participate in the growth and financial success of the Company.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Employees, those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan.

1.3 Definitions. Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 7 of the Plan).

Proxy Statement

Section 2 Awards

2.1 Grant of Awards.

(a) For any Performance Period, the Committee shall determine and designate those Eligible Employees (if any) who shall be granted Awards for the period, and shall establish, with respect to each Award, (i) a Target Amount, expressed as a percentage of the recipient's base salary for such Performance Period; (ii) the performance goal(s) for the Performance Period with respect to the Award; (iii) the payments to be earned with respect to various levels of achievement of the performance goal(s) for the Performance Period; and (iv) whether the Award is intended to satisfy the requirements for Performance-Based Compensation. For any Performance Period for which Awards are granted, the Committee shall create the Award Schedule, and the determinations required for Awards intended to be Performance-Compensation shall be made at the time necessary to comply with such requirements. The grant of an Award to any Eligible Employee for any Performance Period shall not bestow upon such Eligible Employee the right to receive an Award for any other Performance Period.

(b) The performance goal(s) to be established with respect to the grant of any Awards shall be based upon on any one or more of the following measures: cash flow, earnings per share, return on operating assets, return on equity, operating profit, net income, revenue growth, Company or system sales, shareholder return, gross margin management, market share improvement, market value added, restaurant development, customer satisfaction, economic value added, operating income, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, return on invested capital and operating income margin percentage. Such goals may be particular to a line of business, Subsidiary, or other unit or may be based on the Company or franchise system generally.

2.2 Determination of Award Amount. Payment with respect to Awards for each Participant for a Performance Period shall be determined in accordance with the Award Schedule established by the Committee, subject to the following:

(a) Prior to the payment with respect to any Award designated as intended to satisfy the requirements for Performance-Based Compensation, the Committee shall certify the attainment of the performance goal(s) and any other material terms.

(b) In the sole discretion of the Committee, the Award for each Participant may be limited to the Participant's Target Amount multiplied by the percent attainment (determined in accordance with the applicable Award Schedule), subject to the following:

(i) Subject to Section 3 and the provisions of this subsection 2.2, the Committee may adjust such Award for individual performance on the basis of such quantitative and qualitative performance measures and evaluations as it deems appropriate. The Committee may make such adjustments as it deems appropriate in the case of any Participant whose position with the Company has changed during the applicable Performance Period.

(ii) The Committee shall have the discretion to adjust performance goals and the methodology used to measure the determination of the degree of attainment of such goals; provided, however, that, to the extent required by the requirements applicable to Performance-Based Compensation, any Award designated as intended to satisfy the requirements for Performance-Based Compensation may not be adjusted under this paragraph (b) or otherwise in a manner that increases the value of such Award. Except as otherwise provided by the Committee, the Committee shall retain the discretion to adjust such Awards in a manner that does not increase such Awards.

(c) Notwithstanding any other provision of the Plan, in no event will a Participant become eligible for payment for an Award for any calendar year in excess of $10,000,000.

(d) No segregation of any moneys or the creation of any trust or the making of any special deposit shall be required in connection with any Awards made or to be made under the Plan.

2.3 Payment of Awards. Subject to Sections 2.5 and 3, the amount earned with respect to any Award shall be paid in cash at such time as is determined by the Committee; provided, however, that unless otherwise provided by the Committee, such payment shall be made no later than the fifteenth day of the third month of the calendar year following the calendar year in which the applicable Performance Period ends. If a Participant to whom an Award has been made dies prior to the payment of the Award, such payment shall be delivered to the Participant's legal representative or to such other person or persons as shall be determined by the Committee. The Company shall have the right to deduct from all amounts payable under the Plan any taxes required by law to be withheld with respect thereto; provided, however, that to the extent provided by the Committee, any payment under the Plan may be deferred and to the extent deferred, may be credited with an interest or earnings factor as determined by the Committee.

2.4 Return of Overpayments. If the amount paid with respect to an Award granted after December 31, 2008 is based on the attainment of a level of objective performance goals that is later determined to have been inaccurate, such inaccuracy was caused by misconduct by an employee of the Company or a Subsidiary, and as a result the amount paid with respect to the Award is greater than it should have been, then:

(1) The Participant (regardless of whether then employed) whose misconduct caused the inaccuracy will be required to repay the excess.

(2) The Committee administering the Plan may require an active or former Participant (regardless of whether then employed) to repay the excess previously received by that Participant if the Committee concludes that the repayment is necessary to prevent the Participant from unfairly benefiting from the inaccuracy. However, repayment under this paragraph (2) shall apply to an active or former Participant only if the Committee reasonably determines that, prior to the time the amount was paid (or, if payment of the amount is electively deferred by the Participant, at the time the amount would have been paid in the absence of the deferral), such Participant knew or should have known that the amount was greater than it should have been by reason of the inaccuracy. Further, the amount to be repaid by the Participant may not be greater than the excess of (i) the amount paid to the Participant over (ii) the amount that would have been paid to a Participant in the absence of the inaccuracy, provided that, in determining the amount under this clause (ii), the Committee may take into account only the inaccuracy of which the Participant knew or should have known, and which the Participant knew or should have known was caused by misconduct.

Instead of (or in addition to) requiring repayment, the Committee may adjust a Participant's future compensation and the Company and/or Subsidiary shall be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company and/or Subsidiary. For this purpose, the term "misconduct" means fraudulent or illegal conduct or omission that is knowing or intentional. However, the foregoing provisions of this subsection 2.4 shall not apply to any reductions in Awards made after a Change in Control (as defined in the Yum! Brands, Inc. Long Term Incentive Plan) to the extent that Awards were granted before a Change in Control.

2.5 **Termination of Employment.** Except to the extent otherwise provided by the Committee, if a Participant's Date of Termination with respect to any Award occurs prior to the last day of the Performance Period for the Award, then, except in the case of death, disability or normal retirement (determined in accordance with the qualified retirement plans of the Company) or except as provided in Section 3, the Participant shall forfeit the Award. Except to the extent otherwise provided by the Committee, if a Participant's Date of Termination due to the death or disability occurs prior to the last day of the Performance Period for the Award, then the amount earned with respect to any such Award for the applicable Performance Period shall be determined by the Committee in its sole discretion and shall be paid in cash as soon as administratively possible following such Date of Termination; provided, however, that such payment shall be made no later than the fifteenth day of the third month of the calendar year following the calendar year in which the Date of Termination occurs. Except to the extent otherwise provided by the Committee, if a Participant's Date of Termination due to the retirement of the Participant occurs prior to the last day of the Performance Period for the Award, then the amount earned with respect to any such Award for the applicable Performance Period shall be determined in accordance with Section 2.2 and paid out at the time specified in Section 2.3.

Section 3 Change in Control Benefits on Change In Control

Except to the extent otherwise provided by the Committee, within ten (10) business days following the occurrence of a Change in Control (as defined in the Yum! Brands, Inc. Long Term Incentive Plan), each individual who has been granted an Award pursuant to the Plan shall be paid an amount equal to (I) to the greater of (A) the Participant's target award for the period in which the Change in Control occurs and (B) the award the Participant would have earned for such period, assuming continued achievement of the relevant performance goals at the rate achieved as of the date of the Change in Control, multiplied by (II) a fraction the numerator of which is the number of days in the Performance Period which have elapsed as of the Change in Control, and the denominator of which is the number of days in the Performance Period. Any former Participant in the Plan who was granted an Award pursuant to the Plan for the period in which the Change in Control occurs and whose employment with the Company was involuntarily terminated (other than for cause) during a Potential Change in Control (as defined in the Yum! Brands, Inc. Long Term Incentive Plan) and within one year preceding the occurrence of a Change in Control shall likewise be paid the amount of such annual incentive award as if Yum had fully achieved the applicable performance target(s) for the Performance Period in which the Change in Control occurs paid within ten (10) business days following the occurrence of the applicable Change in Control.

Section 4 Miscellaneous

4.1. **Transferability.** Any payment to which a Participant may be entitled under the Plan shall be free from the control or interference of any creditor of such Participant and shall not be subject to attachment or susceptible of anticipation or alienation. The interest of a Participant shall not be transferable except by will or the laws of descent and distribution.

4.2. **No Right To Participate; Employment.** Neither the adoption of the Plan nor any action of the Committee shall be deemed to give any Eligible Employee any right to be designated as a Participant under the Plan. Further, nothing contained in the Plan, nor any action by the Committee or any other person hereunder, shall be deemed to confer upon any Eligible Employee any right of continued employment with the Company or any Subsidiary or Affiliate or to limit or diminish in any way the right of the Company or any Subsidiary or Affiliate to terminate his or her employment at any time with or without cause.

4.3. **Nonexclusivity of the Plan.** This Plan is not intended to and shall not preclude the Board from adopting, continuing, amending or terminating such additional compensation arrangements as it deems desirable for Participants under this Plan, including, without limitation, any thrift, savings, investment, stock purchase, stock option, profit sharing, pension, retirement, insurance or other incentive plan.

Section 5 Committee

5.1. Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this subsection 5.1. The Committee shall be selected by the Board, and shall consist solely of two or more non-employee members of the Board.

5.2. Powers of Committee. The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Employees those persons who shall receive Awards, to determine the time or times of payment with respect to the Awards, to establish the terms, conditions, performance goals, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 6) to cancel or suspend Awards.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(d) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles and by-laws of the Company, and applicable state corporate law.

5.3. Delegation by Committee. Except to the extent prohibited by applicable law and except as may otherwise be required for Awards intended to be Performance-Based Compensation, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time. Until action to the contrary is taken by the Board or Committee, the Committee's authority with respect to matters concerning Participants below the Partners Council or Executive Officer level is delegated to the Chief Executive Officer and the Chief People Officer of the Company.

5.4. Information to be Furnished to Committee. The Company, the Subsidiaries, and the Affiliates shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company, the Subsidiaries, and the Affiliates as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 6 Amendment and Termination

The Board may, at any time, amend or terminate the Plan, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board.

Section 7 Defined Terms

In addition to the other definitions contained herein, the following definitions shall apply for purposes of the Plan:

(a) "Affiliate" means any corporation or other entity which is not a Subsidiary but as to which the Company possesses a direct or indirect ownership interest and has power to exercise management control.

(b) "Award" with respect to a Performance Period means a right to receive cash payments that are contingent on the achievement of performance goals determined in accordance with Section 2.

(c) "Award Schedule" means the schedule created by the Committee for any Performance Period that sets forth the performance goals and the amounts (or the formula for determining the amounts) of any payments earned pursuant to the Awards granted for that period.

(d) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act of 1934, as amended from time to time, except that a Person shall not be deemed to be the Beneficial Owner of any securities which are properly filed on a Form 13-G.

(e) "Board" means the Board of Directors of the Company.

(f) A Participant's "Date of Termination" with respect to any Award shall be the first day occurring on or after the Grant Date for the Award on which the Participant is not employed by the Company, any Subsidiary, or any Affiliate, regardless of the reason for the termination of employment; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company and a Subsidiary or an Affiliate, between a Subsidiary and an Affiliate, or between two Subsidiaries or Affiliates; and further provided that the Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company, a Subsidiary, or an Affiliate approved by the Participant's employer. If, as a result of a sale or other transaction, the Participant's employer ceases to be a Subsidiary or Affiliate (and the Participant's employer is or becomes an entity that is separate from the Company), and the Participant is not, at the end of the 30-day period following the transaction, employed by the Company or an entity that is then a Subsidiary or Affiliate, then the occurrence of such transaction shall be treated as the Participant's Date of Termination caused by the Participant being discharged by the employer.

(g) "Eligible Employee" means Executive Officers or other members of senior management of the Company.

(h) "Grant Date" with respect to any Award for any Participant means the date on which the Award is granted to the Participant in accordance with subsection 2.1.

(i) "Participant" means an Eligible Employee who is selected by the Committee to receive one or more Awards under the Plan.

(j) "Performance-Based Compensation" means amounts satisfying the applicable requirements imposed by section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, with respect to that term.

(k) "Performance Period" with respect to any Award means the period over which achievement of performance goals is to be measured, as established by the Committee at or prior to the Grant Date of the Award.

(l) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act of 1934, as amended, as modified and used in Section 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(m) "Subsidiary" means any corporation partnership, joint venture or other entity during any period in which at least a fifty percent voting or profits interest is owned, directly or indirectly, by the Company (or by any entity that is a successor to the Company), and any other business venture designated by the Committee in which the Company (or any entity that is a successor to the Company) has a significant interest, as determined in the discretion of the Committee.

(n) "Target Amount" means the percentage of a Participant's base salary for a Performance Period as established by the Committee pursuant to subsection 2.1.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 28, 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	**13-3951308**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1441 Gardiner Lane, Louisville, Kentucky	**40213**
(Address of principal executive offices)	*(Zip Code)*

(502) 874-8300

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:	
Title of each class	Name of Each Exchange on Which Registered
Common Stock, no par value	**New York Stock Exchange**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark	YES	NO
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• 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.	☑	☐
• whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	☑	☐
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	☑	

• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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 ☐

	YES	NO
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

The aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of June 15, 2013 computed by reference to the closing price of the registrant's Common Stock on the New York Stock Exchange Composite Tape on such date was approximately $31,700,000,000. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant. The number of shares outstanding of the registrant's Common Stock as of February 11, 2014 was 442,931,286 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement furnished to shareholders of the registrant in connection with the annual meeting of shareholders to be held on May 1, 2014 are incorporated by reference into Part III.

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Forward-Looking Statements

In this Form 10-K, as well as in other written reports and oral statements that we make from time to time, 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 such forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with those safe harbor provisions.

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 circumstances. 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 our actual results to differ materially from our expectations and forward-looking statements include (i) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of this Form 10-K and (ii) the factors described in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of this Form 10-K. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. In making these statements, we are not undertaking to address or update any of our forward-looking statements set forth herein in future filings or communications regarding our business results.

PART I

ITEM 1 Business

YUM! Brands, Inc. (referred to herein as "YUM", the "Registrant" or the "Company"), was incorporated under the laws of the state of North Carolina in 1997. The principal executive offices of YUM are located at 1441 Gardiner Lane, Louisville, Kentucky 40213, and the telephone number at that location is (502) 874-8300. Our website address is *http://yum.com*.

YUM, together with its subsidiaries, is referred to in this Form 10-K annual report ("Form 10-K") as the Company. The terms "we," "us" and "our" are also used in the Form 10-K to refer to the Company. Throughout this Form 10-K, the terms "restaurants," "stores" and "units" are used interchangeably. While YUM! Brands, Inc., referred to as the Company, does not directly own or operate any restaurants, throughout this document we may refer to restaurants as being Company-owned.

Financial Information about Operating Segments

As of and through December 28, 2013, YUM consisted of six operating segments: YUM Restaurants China ("China" or "China Division"), YUM Restaurants International ("YRI" or "International Division"), Taco Bell U.S., KFC U.S., Pizza Hut U.S. 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.

For financial reporting purposes, management considers the three U.S. operating segments to be similar and, therefore, has aggregated them into a single reportable operating segment ("U.S."). In 2012, our India Division began being reported as a standalone reporting segment separate from YRI as a result of changes to our management reporting structure. While our consolidated results are not impacted, our historical segment information has been restated to be consistent with the current period presentation. In December 2011, the Company sold the Long John Silver's ("LJS") and A&W All-American Food Restaurants ("A&W") brands to key franchisee leaders and strategic investors in separate transactions. Financial information prior to these transactions reflects our ownership of these brands.

Operating segment information for the years ended December 28, 2013, December 29, 2012 and December 31, 2011 for the Company is included in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in Part II, Item 7, pages 15 through 35 and in the related Consolidated Financial Statements in Part II, Item 8, pages 36 through 71.

In the first quarter of 2014, we will combine our YRI and U.S. businesses and begin reporting segment information for three global divisions: KFC, Pizza Hut and Taco Bell. China and India will remain separate reporting segments due to their strategic importance and growth potential. This new structure is designed to drive greater global brand focus, enabling us to more effectively share know-how and accelerate growth. While our consolidated results will not be impacted, we will restate our historical segment information during 2014 for consistent presentation.

Narrative Description of Business

General

YUM has over 40,000 restaurants in more than 125 countries and territories. Primarily through the three concepts of KFC, Pizza Hut and Taco Bell (the "Concepts"), the Company develops, operates, franchises and licenses a worldwide system of restaurants which prepare, package and sell a menu of competitively priced food items. Units are operated by a Concept or by independent franchisees or licensees under the terms of franchise or license agreements. Franchisees can range in size from individuals owning just one restaurant to large publicly traded companies.

The China Division, based in Shanghai, China, comprises approximately 6,200 system restaurants, primarily Company-owned KFCs and Pizza Huts. In 2013, the China Division recorded revenues of approximately $6.9 billion and Operating Profit of $777 million. On February 1, 2012, we acquired a controlling interest in Little Sheep Group Limited ("Little Sheep"), a casual dining concept headquartered in Inner Mongolia, China. See Note 4 for details. The Company also owns non-controlling interests in Chinese entities who operate in a manner similar to KFC franchisees and a meat processing entity that supplies lamb primarily to our recently acquired Little Sheep business. YRI, based in Plano, Texas, comprises approximately 15,200 system restaurants, primarily franchised KFCs and Pizza Huts, operating in over 120 countries outside the U.S., China and India. In 2013 YRI recorded revenues of approximately $3.1 billion and Operating Profit of $760 million. We have approximately 18,100 system restaurants, primarily franchised restaurants, in the U.S. and recorded revenues of approximately $3.0 billion and Operating Profit of $684 million in 2013. The India Division, based in Delhi, India comprises approximately 700 system restaurants. In 2013, India recorded revenues of approximately $125 million and an Operating Loss of $15 million.

Restaurant Concepts

Most restaurants in each Concept offer consumers the ability to dine in and/or carry out food. In addition, Taco Bell and KFC offer a drive-thru option in many stores. Pizza Hut offers a drive-thru option on a much more limited basis. Pizza Hut and KFC, on a more limited basis primarily in China, offer delivery service.

Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients, as well as unique recipes and special seasonings to provide appealing, tasty, convenient and attractive food at competitive prices.

The franchise programs of the Company are designed to promote consistency and quality, and the Company is selective in granting franchises. Under standard franchise agreements, franchisees supply capital – initially by paying a franchise fee to YUM, purchasing or leasing the land, building, equipment, signs, seating, inventories and supplies and, over the longer term, by reinvesting in the business. Franchisees contribute to the Company's revenues on an ongoing basis through the payment of royalties based on a percentage of sales.

The Company believes that it is important to maintain strong and open relationships with its franchisees and their representatives. To this end, the Company invests a significant amount of time working with the franchisee community and their representative organizations on key aspects of the business, including products, equipment, operational improvements and standards and management techniques.

Following is a brief description of each Concept:

KFC

- KFC was founded in Corbin, Kentucky by Colonel Harland D. Sanders, an early developer of the quick service food business and a pioneer of the restaurant franchise concept. The Colonel perfected his secret blend of 11 herbs and spices for Kentucky Fried Chicken in 1939 and signed up his first franchisee in 1952.
- KFC operates in 118 countries and territories throughout the world. As of year end 2013, KFC had 4,563 units in China, 9,460 units in YRI, 4,491 units in the U.S. and 361 units in India. Approximately 78 percent of the China units, 11 percent of the YRI units, 5 percent of the U.S. units and 47 percent of the India units are Company-owned.
- KFC restaurants across the world offer fried and non-fried chicken products such as sandwiches, chicken strips, chicken-on-the-bone and other chicken products marketed under a variety of names. KFC restaurants also offer a variety of entrees and side items suited to local preferences and tastes. Restaurant decor throughout the world is characterized by the image of the Colonel.

Pizza Hut

- The first Pizza Hut restaurant was opened in 1958 in Wichita, Kansas, and within a year, the first franchise unit was opened. Today, Pizza Hut is the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products.
- Pizza Hut operates in 91 countries and territories throughout the world. As of year end 2013, Pizza Hut had 1,264 units in China, 5,490 units in YRI, 7,846 units in the U.S. and 367 units in India. Nearly 100 percent of the China units and approximately 4 percent of the YRI units, 6 percent of the U.S. units and 5 percent of the India units are Company-owned.
- Pizza Hut operates in the delivery, carryout and casual dining segments around the world. Outside of the U.S., Pizza Hut often uses unique branding to differentiate these segments.
- Pizza Hut features a variety of pizzas which are marketed under varying names. Each of these pizzas is offered with a variety of different toppings suited to local preferences and tastes. Many Pizza Huts also offer pasta and chicken wings, including over 4,800 stores offering wings under the brand WingStreet, primarily in the U.S. Outside the U.S., Pizza Hut casual dining restaurants offer a variety of core menu products other than pizza, which are typically suited to local preferences and tastes. Pizza Hut units feature a distinctive red roof logo on their signage.

Taco Bell

- The first Taco Bell restaurant was opened in 1962 by Glen Bell in Downey, California, and in 1964, the first Taco Bell franchise was sold.
- Taco Bell operates in 21 countries and territories throughout the world. As of year end 2013, there were 5,769 Taco Bell units in the U.S., 279 units in YRI and 5 units in India. Approximately 15 percent of the U.S. units, none of the YRI units and 100 percent of the India units are Company-owned.
- Taco Bell specializes in Mexican-style food products, including various types of tacos, burritos, quesadillas, salads, nachos and other related items. Taco Bell units feature a distinctive bell logo on their signage.

Restaurant Operations

Through its Concepts, YUM develops, operates, franchises and licenses a worldwide system of both traditional and non-traditional Quick Service Restaurants ("QSR"). Traditional units feature dine-in, carryout and, in some instances, drive-thru or delivery services. Non-traditional units, which are typically licensed outlets, include express units and kiosks which have a more limited menu, usually lower sales volumes and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient.

Restaurant management structure varies by Concept and unit size. Generally, each Concept-owned restaurant is led by a restaurant general manager ("RGM"), together with one or more assistant managers, depending on the operating complexity and sales volume of the restaurant. Most of the employees work on a part-time basis. Each Concept issues detailed manuals, which may then be customized to meet local regulations and customs. These manuals set forth standards and requirements for all aspects of restaurant operations, including food safety and quality, food handling and product preparation procedures, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with operating standards. CHAMPS – which stands for Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Speed of Service – is our proprietary systemwide program for training, measuring and rewarding employee performance against key customer measures. CHAMPS is intended to align the operating processes of our entire system around one core set of standards. RGMs' efforts, including CHAMPS performance measures, are monitored by Area Coaches. Area Coaches typically work with approximately six to twelve restaurants. Various senior operators visit Concept-owned restaurants from time to time to promote adherence to system standards and mentor restaurant team members.

Supply and Distribution

The Company's Concepts, including Concept units operated by its franchisees, are substantial purchasers of a number of food and paper products, equipment and other restaurant supplies. The principal items purchased include chicken, cheese, beef and pork products, paper and packaging materials. The Company has not experienced any significant continuous shortages of supplies, and alternative sources for most of these products are generally available. Prices paid for these supplies fluctuate. When prices increase, the Concepts may attempt to pass on such increases to their customers, although there is no assurance that this can be done practically.

<u>China Division</u> In China, we work with approximately 650 independent suppliers, mostly China-based, providing a wide range of products. We own most of the distribution system which includes approximately 20 logistics centers. We also own a non-controlling interest in a meat processing facility in Inner Mongolia that supplies meat to our Little Sheep business.

<u>U.S. Division</u> The Company, along with the representatives of the Company's KFC, Pizza Hut and Taco Bell franchisee groups, are members in the

Restaurant Supply Chain Solutions, LLC ("RSCS"), formerly known as the Unified Foodservice Purchasing Co-op, LLC, which is responsible for purchasing certain restaurant products and equipment in the U.S. The core mission of the RSCS is to provide the lowest possible sustainable store-delivered prices for restaurant products and equipment. This arrangement combines the purchasing power of the Company-owned and franchisee restaurants in the U.S. which the Company believes leverages the system's scale to drive cost savings and effectiveness in the purchasing function. The Company also believes that the RSCS fosters closer alignment of interests and a stronger relationship with its franchisee community.

Most food products, paper and packaging supplies, and equipment used in restaurant operations are distributed to individual restaurant units by third-party distribution companies. McLane Company, Inc. ("McLane") is the exclusive distributor for the majority of items used in Company-owned restaurants and for a substantial number of franchisee and licensee stores. The Company entered into an agreement with McLane effective January 1, 2011 relating to distribution to Company-owned restaurants. This agreement extends through December 31, 2016 and generally restricts Company-owned restaurants from using alternative distributors for most products.

International and India Divisions Outside China and the U.S., we and our franchisees use decentralized sourcing and distribution systems involving many different global, regional, and local suppliers and distributors. In our YRI markets and India Division, we have approximately 3,000 and 150 suppliers, respectively, including U.S.-based suppliers that export to many countries.

Trademarks and Patents

The Company and its Concepts own numerous registered trademarks and service marks. The Company believes that many of these marks, including its Kentucky Fried Chicken®, KFC®, Pizza Hut® and Taco Bell® marks, have significant value and are materially important to its business. The Company's policy is to pursue registration of its important marks whenever feasible and to oppose vigorously any infringement of its marks.

The use of these marks by franchisees and licensees has been authorized in our franchise and license agreements. Under current law and with proper use, the Company's rights in its marks can generally last indefinitely. The Company also has certain patents on restaurant equipment which, while valuable, are not material to its business.

Working Capital

Information about the Company's working capital is included in MD&A in Part II, Item 7, pages 15 through 35 and the Consolidated Statements of Cash Flows in Part II, Item 8, page 40.

Seasonal Operations

The Company does not consider its operations to be seasonal to any material degree.

Competition

The retail food industry, in which our Concepts compete, is made up of supermarkets, supercenters, warehouse stores, convenience stores, coffee shops, snack bars, delicatessens and restaurants (including the QSR segment), and is intensely competitive with respect to food quality, price, service, convenience, location and concept. The industry is often affected by changes in consumer tastes; national, regional or local economic conditions; currency fluctuations; demographic trends; traffic patterns; the type, number and location of competing food retailers and products; and disposable purchasing power. Each of the Concepts competes with international, national and regional restaurant chains as well as locally-owned restaurants, not only for customers, but also for management and hourly personnel, suitable real estate sites and qualified franchisees.

Given the various types and vast number of competitors, our Concepts do not constitute a significant portion of the retail food industry in terms of number of system units or system sales, either on a worldwide or individual country basis.

Research and Development ("R&D")

The Company operates R&D facilities in Shanghai, China (China Division); Plano, Texas (Pizza Hut U.S. and YRI); Irvine, California (Taco Bell); Louisville, Kentucky (KFC U.S.) and several other locations outside the U.S. The Company expensed $31 million, $30 million and $34 million in 2013, 2012 and 2011, respectively, for R&D activities. From time to time, independent suppliers also conduct research and development activities for the benefit of the YUM system.

Environmental Matters

The Company is not aware of any federal, state or local environmental laws or regulations that will materially affect its earnings or competitive position, or result in material capital expenditures. However, the Company cannot predict the effect on its operations of possible future environmental legislation or regulations. During 2013, there were no material capital expenditures for environmental control facilities and no such material expenditures are anticipated.

Government Regulation

U.S. Division. The Company and its U.S. Division are subject to various federal, state and local laws affecting its business. Each of the Concepts' restaurants in the U.S. must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety, fire and zoning agencies in the state and/or municipality in which the restaurant is located. In addition, each Concept must comply with various state and federal laws that regulate the franchisor/franchisee relationship. To date, the Company has not been materially adversely affected by such licensing and regulation or by any difficulty, delay or failure to obtain required licenses or approvals.

The Company and each Concept are also subject to federal and state laws governing such matters as immigration, employment and pay practices, overtime, tip credits and working conditions. The bulk of the Concepts' employees are paid on an hourly basis. The Company has not been materially adversely affected by such laws to date.

The Company and each Concept are also subject to federal and state child labor laws which, among other things, prohibit the use of certain "hazardous equipment" by employees younger than 18 years of age. The Company has not been materially adversely affected by such laws to date.

The Company and each Concept are also subject to laws relating to information security, privacy, cashless payments, consumer credit, protection and fraud. The Company has not been materially adversely affected by such laws to date.

The Company and each Concept are also subject to laws relating to nutritional content, nutritional labeling, product safety and menu labeling. The Company has not been materially adversely affected by such laws to date.

The Company and each Concept, as applicable, continue to monitor their facilities for compliance with the Americans with Disabilities Act ("ADA") in order to conform to its requirements. Under the ADA, the Company or the relevant Concept could be required to expend funds to modify its restaurants to better provide service to, or make reasonable accommodation for the employment of, disabled persons. The Company has not been materially adversely affected by such laws to date.

International, China and India Divisions. The Company's restaurants outside the U.S. are subject to national and local laws and regulations which are similar to those affecting U.S. restaurants, including laws and regulations concerning information security, labor, health, sanitation and safety.

The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment. International compliance with environmental requirements has not had a material adverse effect on the Company's results of operations, capital expenditures or competitive position.

The Company is also subject to anti-bribery and anti-corruption laws and regulations, which are the focus of increasing enforcement around the world.

See Item 1A "Risk Factors" below for a discussion of risks relating to federal, state, local and international regulation of our business.

Employees

As of year end 2013, the Company and its Concepts employed approximately 539,000 persons, approximately 86 percent of whom were part-time. The Company believes that it provides working conditions and compensation that compare favorably with those of its principal competitors. The majority of employees are paid on an hourly basis. Some employees are subject to labor council relationships that vary due to the diverse cultures in which the Company operates. The Company and its Concepts consider their employee relations to be good.

Financial Information about Geographic Areas

Financial information about our significant geographic areas (China Division, International Division, the U.S. and India) is incorporated herein by reference from Selected Financial Data in Part II, Item 6, pages 14 and 15; MD&A in Part II, Item 7, pages 15 through 35; and in the related Consolidated Financial Statements in Part II, Item 8, pages 36 through 71.

Available Information

The Company makes available through the Investor Relations section of its internet website at *http://yum.com* its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission ("SEC") at *http://www.sec.gov.* These reports may also be obtained by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1 (800) SEC-0330.

Our Corporate Governance Principles and our Code of Conduct are also located within the Investor Relations section of the Company's website. The reference to the Company's website address does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document. These documents, as well as our SEC filings, are available in print free of charge to any shareholder who requests a copy from our Investor Relations Department.

ITEM 1A Risk Factors

You should carefully review the risks described below as they identify important factors that could cause our actual results to differ materially from our forward-looking statements and historical trends.

Food safety and food-borne illness concerns may have an adverse effect on our business.

Food-borne illnesses, such as E. coli, hepatitis A, trichinosis or salmonella, and food safety issues, such as food tampering, contamination or adulteration, have occurred in the past and could occur in the future. Any report or publicity linking us or one of our Concept restaurants, including restaurants operated by our Concepts' franchisees, to instances of food-borne illness or food safety issues could adversely affect our Concepts' brands and reputations as well as our revenues and profits and possibly lead to litigation. If a customer of our Concepts becomes ill from food-borne illnesses or as a result of food safety issues, restaurants in our system may be temporarily closed, which would decrease our revenues. In addition, instances or allegations of food-borne illness or food safety issues, real or perceived, involving our restaurants, restaurants of competitors, suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), or otherwise involving the types of food served at our restaurants, could result in negative publicity that could adversely affect our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain and/or lower margins for us and our Concepts' franchisees.

Our significant China operations subject us to risks that could negatively affect our business.

A significant and growing portion of our restaurants are located, and our revenues and profits originate, in China. As a consequence, our financial results are increasingly dependent on our results in China, and our business is increasingly exposed to risks there. These risks include changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), income and non-income based tax rates and laws and consumer preferences, as well as changes in the regulatory environment and increased competition. In addition, our results of operations in China and the value of our Chinese assets are affected by fluctuations in currency exchange rates, which may adversely affect reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China business. Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates the scope of our foreign investments and business conducted within China. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If we were unable to enforce our intellectual property or contract rights in China, our business would be adversely impacted.

Health concerns arising from outbreaks of viruses or other diseases may have an adverse effect on our business.

Outbreaks of avian flu occur from time to time around the world, including in China where a significant portion of our profits and revenues originate. It is possible that outbreaks in China and elsewhere could reach pandemic levels. Public concern over avian flu generally may cause fear about the consumption of chicken, eggs and other products derived from poultry, which could cause customers to consume less poultry and related products. This would likely result in lower revenues and profits. Avian flu outbreaks could also adversely affect the price and availability of poultry, which could negatively impact our profit margins and revenues. Widespread outbreaks could also affect our ability to attract and retain employees.

Furthermore, other viruses such as H1N1 or "swine flu" may be transmitted through human contact, and the risk of contracting viruses could cause employees or guests to avoid gathering in public places, which could adversely affect restaurant guest traffic or the ability to adequately staff restaurants. We could also be adversely affected if jurisdictions in which we have restaurants impose mandatory closures, seek voluntary closures or impose restrictions on operations of restaurants. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or health risk may affect our business.

Our foreign operations subject us to risks that could negatively affect our business.

A significant portion of our Concepts' restaurants are operated in countries and territories outside of the U.S., and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in foreign operations. These risks, which can vary substantially by country, include political instability, corruption, social and ethnic unrest, changes in economic conditions (including consumer spending, unemployment levels and wage and commodity inflation), the regulatory environment, income and non-income based tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated.

In addition, our results of operations and the value of our foreign assets are affected by fluctuations in currency exchange rates, which may adversely affect reported earnings. More specifically, an increase in the value of the U.S. Dollar relative to other currencies, such as the Australian Dollar, the British Pound, the Canadian Dollar and the Euro, as well as currencies in certain emerging markets, could have an adverse effect on our reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

Failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation.

We receive and maintain certain personal information about our customers and employees. The use of this information is regulated by applicable law, as well as by certain third-party contracts. If our security and information systems are compromised or our employees, franchisees or vendors fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could result in liabilities and penalties and could damage our reputation, cause us to incur substantial costs and result in a loss of customer confidence, which could adversely affect our restaurant operations and results of operations and financial condition. Additionally, we could be subject to litigation, government enforcement actions and private litigation as a result of any such failure.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

The products sold by our Concepts and their franchisees are sourced from a wide variety of domestic and international suppliers. We are also dependent upon third parties to make frequent deliveries of food products and supplies that meet our specifications at competitive prices. Shortages or interruptions in the supply of food items and other supplies to our restaurants could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Such shortages or disruptions could be caused by inclement weather, natural disasters such as floods, drought and hurricanes, increased demand, problems in production or distribution, the inability of our vendors to obtain credit, political instability in the countries in which foreign suppliers and distributors are located, the financial instability of suppliers and distributors, suppliers' or distributors' failure to meet our standards, product quality issues, inflation, other factors relating to the suppliers and distributors and the countries in which they are located, food safety warnings or advisories or the prospect of such pronouncements or other conditions beyond our control. A shortage or interruption in the availability of certain food products or supplies could increase costs and limit the availability of products critical to restaurant operations, which in turn could lead to restaurant closures and/or a decrease in sales. In addition, failure by a principal distributor for our Concepts and/or our Concepts' franchisees to meet its service requirements could lead to a disruption of service or supply until a new distributor is engaged, and any disruption could have an adverse effect on our business.

We may not attain our target development goals, and aggressive development could cannibalize existing sales.

Our growth strategy depends in large part on our ability to increase our net restaurant count in markets outside the U.S., especially China and other emerging markets. The successful development of new units will depend in large part on our ability and the ability of our Concepts' franchisees to open new restaurants and to operate these restaurants on a profitable basis. We cannot guarantee that we, or our Concepts' franchisees, will be able to achieve our expansion goals or that new restaurants will be operated profitably. Further, there is no assurance that any new restaurant will produce operating results similar to those of our existing restaurants. Other risks which could impact our ability to increase our net restaurant count include prevailing economic conditions and our, or our Concepts' franchisees' ability to obtain suitable restaurant locations, negotiate acceptable lease or purchase terms for the locations, obtain required permits and approvals in a timely manner, hire and train qualified personnel and meet construction schedules.

Expansion into target markets could also be affected by our Concepts' franchisees' ability to obtain financing to construct and open new restaurants. If it becomes more difficult or more expensive for our Concepts' franchisees to obtain financing to develop new restaurants, the expected growth of our system could slow and our future revenues and operating cash flows could be adversely impacted.

In addition, the new restaurants could impact the sales of our existing restaurants nearby. There can be no assurance that sales cannibalization will not occur or become more significant in the future as we increase our presence in existing markets.

Changes in commodity and other operating costs could adversely affect our results of operations.

Any increase in certain commodity prices, such as food, supply and energy costs, could adversely affect our operating results. Because our Concepts and their franchisees provide competitively priced food, our ability to pass along commodity price increases to our customers is limited. Significant increases in gasoline prices could also result in a decrease of customer traffic at our restaurants or the imposition of fuel surcharges by our distributors, each of which could adversely affect our profit margins. Our operating expenses also include employee wages and benefits and insurance costs (including workers' compensation, general liability, property and health) which may increase over time. Any such increase could adversely affect our profit margins.

Our operating results are closely tied to the success of our Concepts' franchisees.

A significant portion of our restaurants are operated by franchisees from whom we derive a significant portion of our revenues in the form of royalty payments. As a result, the success of our business depends in part upon the operational and financial success of our Concepts' franchisees. We have limited control over how our Concepts' franchisees' businesses are run, and the inability of our Concepts' franchisees to operate successfully could adversely affect our operating results through decreased royalty payments.

If franchisees incur too much debt or if economic or sales trends deteriorate such that they are unable to operate profitably or repay existing debt, it could result in financial distress, including insolvency or bankruptcy. If a significant franchisee or a significant number of our Concepts' franchisees become financially distressed, our operating results could be impacted through reduced or delayed royalty payments or increased rent obligations for leased properties on which we are contingently liable.

Our success depends substantially on the value and perception of our brands.

Our success depends in large part upon our ability to maintain and enhance the value of our brands and our customers' connection to our brands. Brand value is based in part on consumer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring and whether originating from us, our franchisees or suppliers, can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our brands could be damaged by claims or perceptions about the quality or safety of our products or the quality of our suppliers, regardless of whether such claims or perceptions are true. Any such incident could cause a decline in consumer confidence in, or the perception of, our Concepts and/or our products and decrease the value of our brands as well as consumer demand for our products, which would likely result in lower revenues and profits.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.

There has been a marked increase in the use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording us an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our Concepts, exposure of personally identifiable information, fraud and out-of-date information. The inappropriate use of social media by our customers or employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

A suspension of the Chinese affiliates of the "Big Four" accounting firms may impact our ability to access capital markets and could result in other material adverse effects.

In January 2014, a U.S. administrative law court issued an initial ruling to suspend Chinese affiliates of the global "Big Four" accounting firms, including the Chinese affiliate of our independent auditor, from auditing U.S.-listed companies for six months. While we believe the likelihood of the suspension becoming effective is remote, it is difficult to determine the potential consequences if the ruling is sustained. However, given the significance of our China Division to our consolidated financial statements, it is possible that we would be unable to include audited and/or reviewed consolidated financial statements in the Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K that we are required to file with the SEC. As a result, we could be unable to file our reports in a timely manner or such filings would be considered deficient. Until such reviews or audits are completed, our filings under the Exchange Act could continue to be deficient or untimely, and our ability to access the capital markets could be significantly limited. These issues could render us temporarily ineligible for use of both shelf registration and "short-form" registration that allows us to incorporate our prior filings by reference. Our inability to satisfy our reporting obligations as a public company may lead the New York Stock Exchange to commence delisting procedures with respect to our common shares. In addition, the failure to deliver audited financial statements could also constitute an event of default under our Credit Facility. Moreover, any negative news about the proceedings against the "Big Four" audit firms could erode investor confidence in financial statements relating to our Chinese operations.

We could be party to litigation that could adversely affect us by increasing our expenses or subjecting us to significant monetary damages and other remedies.

From time to time we are involved in a number of legal proceedings, which include consumer, employment, tort, patent, securities, derivative and other litigation (see the discussion of Legal Proceedings in Note 19 to the consolidated financial statements included in Item 8 of this Report). We are currently a defendant in cases containing class action allegations in which the plaintiffs have brought claims under federal and state wage and hour, disability and other laws. We are also currently a defendant in securities and derivative lawsuits alleging inadequate disclosures in violation of federal securities laws. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may not be accurately estimated. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert resources away from our operations and negatively impact reported earnings. With respect to insured claims, a judgment for monetary damages in excess of any insurance coverage could adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also adversely affect our reputation, which in turn could adversely affect our results.

In addition, the restaurant industry has been subject to claims that relate to the nutritional content of food products, as well as claims that the menus and practices of restaurant chains have led to the obesity of some customers. We may also be subject to this type of claim in the future and, even if we are not, publicity about these matters (particularly directed at the quick service and fast-casual segments of the industry) may harm our reputation and adversely affect our results.

Changes in, or noncompliance with, governmental regulations may adversely affect our business operations, growth prospects or financial condition.

Our Concepts and their franchisees are subject to numerous laws and regulations around the world. These laws change regularly and are increasingly complex. For example, we are subject to:

- The Americans with Disabilities Act in the U.S. and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas.
- The U.S. Fair Labor Standards Act, which governs matters such as minimum wages, overtime and other working conditions, family leave mandates and a variety of similar state laws that govern these and other employment law matters.
- Anti-bribery and corruption laws and regulations, such as the Foreign Corrupt Practices Act, the UK Bribery Act and similar laws, which are the subject of increasing scrutiny and enforcement around the world.
- New or changing laws and regulations in government-mandated health care benefits such as the Patient Protection and Affordable Care Act.
- New or changing laws and regulations relating to nutritional content, nutritional labeling, product safety and menu labeling.
- New or changing laws relating to state and local licensing.
- New or changing laws and regulations relating to health, sanitation, food, workplace safety and fire safety and prevention.
- New or changing laws and regulations relating to union organizing rights and activities.
- New or changing laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud.
- New or changing environmental regulations.
- New or changing federal and state immigration laws and regulations in the U.S.

Compliance with new or existing laws and regulations could impact our operations. In addition, the compliance costs associated with these laws and regulations could be substantial. Any failure or alleged failure to comply with these laws or regulations could adversely affect our reputation, international expansion efforts, growth prospects and financial condition or result in, among other things, litigation, revocation of required licenses, governmental investigations or proceedings, administrative enforcement actions, fines and civil and criminal liability. Publicity relating to any such noncompliance could also harm our reputation and adversely affect our revenues.

Tax matters, including changes in tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.

A significant percentage of our profits are earned outside the U.S. and taxed at lower rates than the U.S. statutory rates. Historically, the cash we generate outside the U.S. has principally been used to fund our international development. However, if the cash generated by our U.S. business is not sufficient to meet our need for cash in the U.S., we may need to repatriate a greater portion of our international earnings to the U.S. in the future. We are required to record U.S. income tax expense in our financial statements at the point in time when our management determines that such funds are not permanently invested outside the U.S. This could cause our worldwide effective tax rate to increase materially.

We are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property, withholding and franchise taxes in both the U.S. and various foreign jurisdictions. We are also subject to regular reviews, examinations and audits by the Internal Revenue Service and other taxing authorities with respect to such income and non-income based taxes inside and outside of the U.S. If the IRS or another taxing authority disagrees with our tax positions, we could face additional tax liability, including interest and penalties. Payment of such additional amounts upon final settlement or adjudication of any disputes could have a material impact on our results of operations and financial position.

In addition, we are directly and indirectly affected by new tax legislation and regulation and the interpretation of tax laws and regulations worldwide. Changes in such legislation, regulation or interpretation could increase our taxes and have an adverse effect on our operating results and financial condition.

Our business may be adversely impacted by general economic conditions.

Our results of operations are dependent upon discretionary spending by consumers, which may be affected by general economic conditions globally or in one or more of the markets we serve. Some of the factors that impact discretionary consumer spending include unemployment, disposable income and consumer confidence. These and other macroeconomic factors could have an adverse effect on our sales, profitability or development plans, which could harm our financial condition and operating results.

The retail food industry in which we operate is highly competitive.

The retail food industry in which we operate is highly competitive with respect to price and quality of food products, new product development, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. If consumer or dietary preferences change, or our restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our business could be adversely affected. We also face growing competition as a result of convergence in grocery, deli and restaurant services, including the offering by the grocery industry of convenient meals, including pizzas and entrees with side dishes. In addition, in the retail food industry, labor is a primary operating cost component. Competition for qualified employees could also require us to pay higher wages to attract a sufficient number of employees, which could adversely impact our profit margins.

ITEM 1B Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2013 fiscal year and that remain unresolved.

ITEM 2 Properties

As of year end 2013, the Company's Concepts owned approximately 850 units and leased land, building or both for approximately 7,275 units worldwide. These units are further detailed as follows:

- The China Division leased land, building or both in approximately 5,000 units.
- The International Division owned approximately 150 units and leased land, building or both in approximately 1,175 units.
- The U.S. Division owned approximately 675 units and leased land, building or both in approximately 900 units.
- The India Division leased land, building or both in approximately 200 units.

Company-owned restaurants in China are generally leased for initial terms of 10 to 15 years and generally do not have renewal options. Historically, the Company has either been able to renew its China Division leases or enter into competitive leases at replacement sites without a significant impact on our operations, cash flows or capital resources. Company-owned restaurants in the U.S. with leases are generally leased for initial terms of 15 or 20 years and generally have renewal options; however, Pizza Hut delivery/carryout units in the U.S. generally are leased for significantly shorter initial terms with shorter renewal options. Company-owned restaurants outside of China and the U.S. with leases have initial lease terms and renewal options that vary by country. The Company currently has approximately 825 units worldwide that it leases or subleases to franchisees, principally in the U.S., U.K. and Mexico.

The China Division leases their corporate headquarters and research facilities in Shanghai, China. The Pizza Hut U.S. and YRI corporate headquarters and a research facility in Plano, Texas are owned by Pizza Hut. Taco Bell leases its corporate headquarters and research facility in Irvine, California. The KFC U.S. and YUM corporate headquarters and a research facility in Louisville, Kentucky are owned by the Company. In addition, YUM leases office facilities for the U.S. Division shared service center in Louisville, Kentucky. YUM sub-leases a portion of its shared service office facility in Louisville, Kentucky to a company that performs certain of our information technology, accounting and payroll services. Additional information about the Company's properties is included in the Consolidated Financial Statements in Part II, Item 8, pages 36 through 71.

The Company believes that its properties are generally in good operating condition and are suitable for the purposes for which they are being used.

ITEM 3 Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Consolidated Financial Statements, is not likely to have a material adverse effect on the Company's annual results of operations, financial condition or cash flows. The following is a brief description of the more significant of the categories of lawsuits and other matters we face from time to time. Descriptions of specific claims and contingencies appear in Note 19, Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, which Note is incorporated by reference into this item.

Franchisees

A substantial number of the restaurants of each of the Concepts are franchised to independent businesses. In the course of the franchise relationship, occasional disputes arise with franchisees relating to a broad range of subjects, including, without limitation, marketing, operational standards, quality, service and cleanliness issues, grants, transfers or terminations of franchise rights, territorial disputes and delinquent payments.

Suppliers

The Company and its Concepts purchase food, paper, equipment and other restaurant supplies as well as certain services from numerous independent suppliers throughout the world. Disputes arise from time-to-time with suppliers on a number of issues, including, but not limited to, general performance, compliance with product specifications and terms of procurement and service requirements.

Employees

At any given time, the Company or its Concepts employ hundreds of thousands of persons, primarily in its restaurants. In addition, each year thousands of persons seek employment with the Company and its Concepts. From time to time, disputes arise regarding employee hiring, compensation, termination and promotion practices.

Like other retail employers, the Company and its Concepts have been faced with allegations of class-wide wage and hour, employee classification and other labor law violations.

Customers

The Concepts' restaurants serve a large and diverse cross-section of the public, and in the course of serving so many people, disputes arise regarding products, service, accidents and other matters typical of large restaurant systems.

Intellectual Property

The Company has registered trademarks and service marks, many of which are of material importance to the Company's business. From time to time, the Company and its Concepts may become involved in litigation to defend and protect its use and ownership of its registered marks.

Shareholders

As a publicly-traded company, from time-to-time, disputes arise with our shareholders, including allegations that the Company breached federal securities laws as a result of material misstatements or omissions. In addition, shareholders may bring claims derivatively on behalf of the Company against officers and/or directors alleging claims such as breaches of fiduciary duties, waste of corporate assets or unjust enrichment.

ITEM 4 Mine Safety Disclosures

Not applicable

Executive Officers of the Registrant

The executive officers of the Company as of February 18, 2014, and their ages and current positions as of that date are as follows:

David C. Novak, 61, is Chairman of the Board and Chief Executive Officer of YUM. He has served in this position since January 2001.

Jing-Shyh S. Su, 61, is Vice-Chairman of the Board of YUM and Chairman and Chief Executive Officer of YUM Restaurants China. He has served in this position since May 2010. He has served as Vice-Chairman of the Board of YUM since March 2008, and he served as President of YUM Restaurants China from 1997 to May 2010.

Scott O. Bergren, 67, is Chief Executive Officer of Pizza Hut and Chief Innovation Officer of YUM. He has served as Chief Executive Officer of Pizza Hut since January 2014 and as Chief Innovation Officer of YUM since February 2011. Prior to these positions, Mr. Bergren served as Chief Executive Officer of Pizza Hut U.S. from February 2011 to December 2013 and as President and Chief Concept Officer of Pizza Hut U.S. from November 2006 to January 2011.

Jonathan D. Blum, 55, is Senior Vice President, Chief Public Affairs Officer and Global Nutrition Officer of YUM. He has served as Senior Vice President and Chief Public Affairs Officer since July 1997. In March of 2012, his title and job responsibilities were expanded to include Global Nutrition Officer.

Anne P. Byerlein, 55, is Chief People Officer of YUM. She has served in this position since December 2002.

Christian L. Campbell, 63, is Senior Vice President, General Counsel, Secretary and Chief Franchise Policy Officer of YUM. He has served as Senior Vice President, General Counsel and Secretary since September 1997 and Chief Franchise Policy Officer since January 2003.

Richard T. Carucci, 56, is President of YUM. He has served in this position since May 2012. Prior to this position, Mr. Carucci served as Chief Financial Officer of YUM, a position he held beginning in March 2005. Mr. Carucci will retire as President of YUM in March 2014.

Greg Creed, 56, is Chief Executive Officer of Taco Bell. He has served in this position since February 2011. Prior to this position, Mr. Creed served as President and Chief Concept Officer of Taco Bell, a position he held beginning in December 2006.

Roger Eaton, 53, is President of KFC and Chief Operations Officer of YUM. He has served as President of KFC since January 2014 and as Chief Operations Officer of YUM since November 2011. Prior to these positions, Mr. Eaton served as Chief Executive Officer of KFC U.S. and YUM Operational Excellence Officer from February 2011 to November 2011. He was President and Chief Concept Officer of KFC U.S. from June 2008 to February 2011.

Patrick Grismer, 52, is Chief Financial Officer of YUM. He has served in this position since May 2012. Prior to this position, Mr. Grismer served as Chief Planning and Control Officer, a position he held beginning January 2011. Mr. Grismer served in as Chief Financial Officer of YRI from June 2008 to January 2011.

Muktesh Pant, 59, is Chief Executive Officer of KFC. He has served in this position since January 2014. Prior to this position he served as Chief Executive Officer of YRI from December 2011 to December 2013. Mr. Pant served as President of YRI from May 2010 to December 2011 and as President of Global Brand Building for YUM from February 2009 to December 2011. He served as the Chief Marketing Officer of YRI from July 2005 to May 2010.

David E. Russell, 44, is Vice President, Finance and Corporate Controller of YUM. He has served in this position since December 2012. He has been Vice President and Corporate Controller since February 2011. Effective December 2012, his duties and title were expanded to include Vice President, Finance. From November 2010 to February 2011, Mr. Russell served as Vice President, Controller-Designate. From January 2008 to November 2010, he served as Vice President and Assistant Controller.

Executive officers are elected by and serve at the discretion of the Board of Directors.

PART II

ITEM 5 Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock trades under the symbol YUM and is listed on the New York Stock Exchange ("NYSE"). The following sets forth the high and low NYSE composite closing sale prices by quarter for the Company's Common Stock and dividends per common share.

2013

Quarter	High	Low	Dividends Declared	Dividends Paid
First	$ 70.20	$ 62.08	$ 0.335	$ 0.335
Second	73.52	64.15	0.335	0.335
Third	74.82	68.10	—	0.335
Fourth	78.30	65.17	0.74	0.37

2012

Quarter	High	Low	Dividends Declared	Dividends Paid
First	$ 70.72	$ 58.57	$ 0.285	$ 0.285
Second	73.93	62.86	0.285	0.285
Third	67.53	61.95	—	0.285
Fourth	74.47	63.88	0.67	0.335

In 2013, the Company declared two cash dividends of $0.335 per share and two cash dividends of $0.37 per share of Common Stock, one of which had a distribution date of February 7, 2014. In 2012, the Company declared two cash dividends of $0.285 per share and two cash dividends of $0.335 per share of Common Stock, one of which had a distribution date of February 1, 2013. The Company targets an annual dividend payout ratio of 35% to 40% of net income.

As of February 11, 2014, there were 61,700 registered holders of record of the Company's Common Stock.

Issuer Purchases of Equity Securities

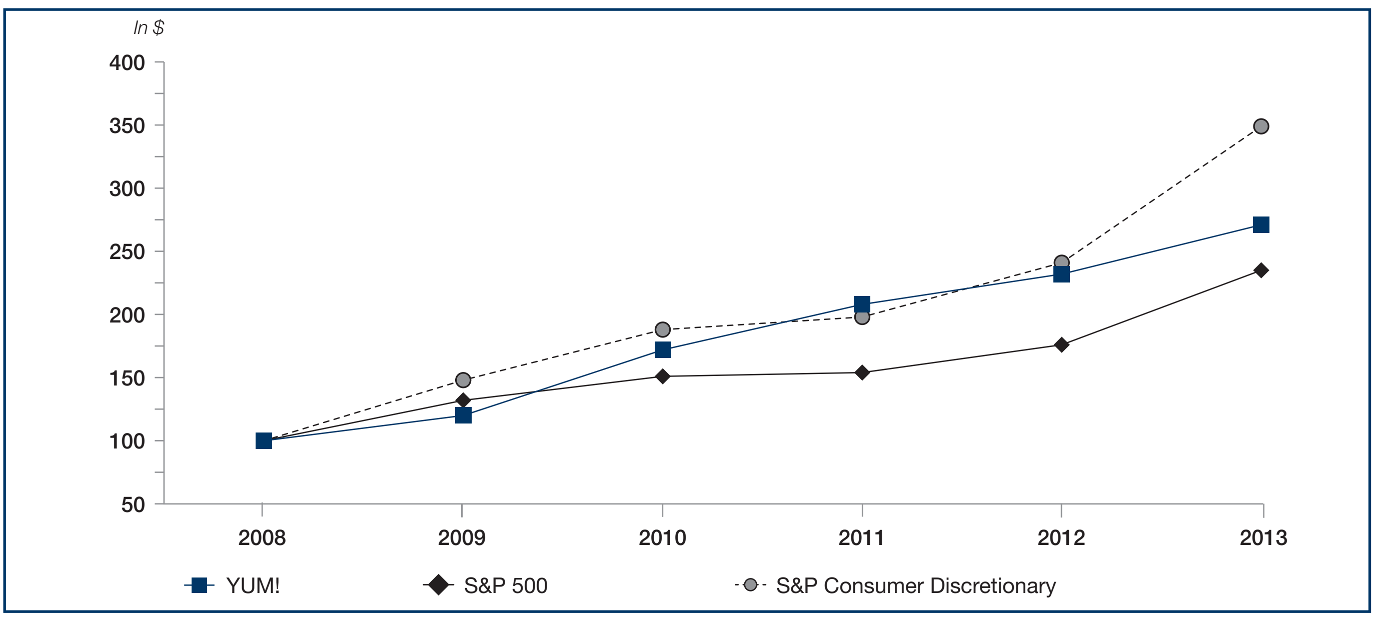
The following table provides information as of December 28, 2013 with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

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 10 9/8/13 – 10/5/13	—	$ —	—	$ 463
Period 11 10/6/13 – 11/2/13	2,967	$ 66.59	2,967	$ 266
Period 12 11/3/13 – 11/30/13	387	$ 73.36	387	$ 987
Period 13 12/1/13 – 12/28/13	467	$ 73.47	467	$ 953
TOTAL	**3,821**	**$ 68.11**	**3,821**	**$ 953**

On November 16, 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. On November 22, 2013, our Board of Directors authorized additional share repurchases through May 2015 of up to $750 million (excluding applicable transaction fees) of our outstanding Common Stock. As of December 28, 2013, we have remaining capacity to repurchase up to $953 million of Common Stock under these authorizations.

Stock Performance Graph

This graph compares the cumulative total return of our Common Stock to the cumulative total return of the S&P 500 Stock Index and the S&P 500 Consumer Discretionary Sector, a peer group that includes YUM, for the period from December 26, 2008 to December 27, 2013, the last trading day of our 2013 fiscal year. The graph assumes that the value of the investment in our Common Stock and each index was $100 at December 26, 2008 and that all dividends were reinvested.



	12/26/2008	12/24/2009	12/23/2010	12/30/2011	12/28/2012	12/27/2013
YUM!	$ 100	$ 120	$ 172	$ 208	$ 232	$ 271
S&P 500	$ 100	$ 132	$ 151	$ 154	$ 176	$ 235
S&P Consumer Discretionary	$ 100	$ 148	$ 188	$ 198	$ 241	$ 349

ITEM 6 Selected Financial Data

SELECTED FINANCIAL DATA

YUM! BRANDS, INC. AND SUBSIDIARIES

	Fiscal Year				
(in millions, except per share and unit amounts)	**2013**	**2012**	**2011**	**2010**	**2009**
Summary of Operations					
Revenues					
Company sales	$ 11,184	$ 11,833	$ 10,893	$ 9,783	$ 9,413
Franchise and license fees and income	1,900	1,800	1,733	1,560	1,423
Total	13,084	13,633	12,626	11,343	10,836
Closures and impairment income (expenses)[(a)]	(331)	(37)	(135)	(47)	(103)
Refranchising gain (loss)[(b)]	100	78	(72)	(63)	26
Operating Profit[(c)]	1,798	2,294	1,815	1,769	1,590
Interest expense, net[(c)]	247	149	156	175	194
Income before income taxes	1,551	2,145	1,659	1,594	1,396
Net Income – including noncontrolling interest	1,064	1,608	1,335	1,178	1,083
Net Income – YUM! Brands, Inc.	1,091	1,597	1,319	1,158	1,071
Basic earnings per common share	2.41	3.46	2.81	2.44	2.28
Diluted earnings per common share	2.36	3.38	2.74	2.38	2.22
Diluted earnings per common share before Special Items[(c)]	2.97	3.25	2.87	2.53	2.17
Cash Flow Data					
Provided by operating activities	$ 2,139	$ 2,294	$ 2,170	$ 1,968	$ 1,404
Capital spending, excluding acquisitions and investments	1,049	1,099	940	796	797
Proceeds from refranchising of restaurants	260	364	246	265	194
Repurchase shares of Common Stock	770	965	752	371	—
Dividends paid on Common Stock	615	544	481	412	362
Balance Sheet					
Total assets	$ 8,695	$ 9,013	$ 8,834	$ 8,316	$ 7,148
Long-term debt	2,918	2,932	2,997	2,915	3,207
Total debt	2,989	2,942	3,317	3,588	3,266
Other Data					
Number of stores at year end					
Company	8,131	7,578	7,437	7,271	7,666
Unconsolidated Affiliates	716	660	587	525	469
Franchisees	29,349	28,608	26,928	27,852	26,745
Licensees	2,115	2,168	2,169	2,187	2,200
System	40,311	39,014	37,121	37,835	37,080
China system sales growth[(d)]					
Reported	(1)%	23%	35%	18%	11%
Local currency[(e)]	(4)%	20%	29%	17%	10%
YRI system sales growth[(d)]					
Reported	1%	2%	12%	9%	(4)%
Local currency[(e)]	5%	5%	7%	4%	5%
India system sales growth[(d)]					
Reported	11%	13%	36%	43%	10%
Local currency[(e)]	20%	29%	35%	36%	24%
U.S. same store sales growth[(d)]	—%	5%	(1)%	1%	(5)%
Shares outstanding at year end	443	451	460	469	469
Cash dividends declared per Common Share	$ 1.41	$ 1.24	$ 1.07	$ 0.92	$ 0.80
Market price per share at year end	$ 73.87	$ 64.72	$ 59.01	$ 49.66	$ 35.38

(a) *Closures and impairment income (expense) includes $295 million of Little Sheep impairment losses in 2013, $80 million of net losses related to the LJS and A&W divestitures in 2011 and $26 million and $12 million of goodwill impairment charges in 2009 recorded within our U.S. Division and Pizza Hut Korea business, respectively.*

(b) *See Note 4 for discussion of Refranchising Gain (Loss) for fiscal years 2013, 2012 and 2011. Fiscal year 2010 included a $52 million loss on the refranchising of our Mexico equity market.*

(c) *In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this document, the Company has provided non-GAAP measurements which present operating results on a basis before Special Items. The Company uses earnings before Special Items as a key performance measure of results of operations for the purpose of evaluating performance internally. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present operations, excluding items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.*

2013, 2012 and 2011 Special Items are described in further detail within our MD&A. Special Items in 2010 negatively impacted Operating Profit by $77 million, primarily due to $59 million in refranchising losses for equity markets outside the U.S. and U.S. refranchising net losses of $18 million. Special Items in 2009 positively impacted Operating Profit by $18 million, primarily due to a gain of $68 million upon our acquisition of additional ownership interest in, and consolidation of, the operating entity that owns KFCs in Shanghai China, U.S. refranchising net gains of $34 million, offset by investments in our U.S. brands of $32 million, a U.S. goodwill impairment charge of $26 million and charges of $16 million relating to U.S. General and Administrative ("G&A") productivity initiatives and realignment of resources. These items above resulted in cumulative net tax benefits of $7 million and $5 million in 2010 and 2009, respectively.

(d) *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 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 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 growth includes the estimated growth in sales of all restaurants that have been open and in the YUM system one year or more.*

(e) *Local currency represents the percentage change excluding the impact of foreign currency translation. 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.*

Fiscal years 2013, 2012, 2010 and 2009 include 52 weeks and fiscal year 2011 includes 53 weeks. See Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for discussion of the impact of the 53rd week in fiscal year 2011.

The selected financial data should be read in conjunction with the Consolidated Financial Statements.

ITEM 7 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 Consolidated Financial Statements on pages 36 through 71 ("Financial Statements") and the Forward-Looking Statements on page 2 and the Risk Factors set forth in Item 1A. 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 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 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 sales of all restaurants that have been open and in the YUM system one year or more. The impact of same-store sales growth on both our Company-owned store results and Franchise and license fees and income is described elsewhere in this MD&A.
- 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 revenue.

All Note references herein refer to the Notes to the Financial Statements on pages 43 through 71. 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 has over 40,000 restaurants in more than 125 countries and territories operating primarily under the KFC, Pizza Hut or Taco Bell brands, which are the global leaders in the chicken, pizza and Mexican-style food categories, respectively. Of the over 40,000 restaurants, 20% are operated by the Company, 75% are operated by franchisees and unconsolidated affiliates and 5% are operated by licensees.

As of and through December 28, 2013, 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.") 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. represent approximately 90% of the Company's operating profits, excluding Corporate and unallocated income and expenses.

In the first quarter of 2014, we will combine our YRI and U.S. businesses and begin reporting segment information for three global divisions: KFC, Pizza Hut and Taco Bell. China and India will remain separate reporting segments due to their strategic importance and growth potential. This new structure is designed to drive greater global brand focus, enabling us to more effectively share know-how and accelerate growth. While our consolidated results will not be impacted, we will restate our historical segment information during 2014 for consistent presentation.

In 2012, our India Division began being reported as a standalone reporting segment separate from YRI as a result of changes to our management reporting structure. While our consolidated results are not impacted, our historical segment information has been restated to be consistent with the current period presentation.

In December of 2011 we sold our Long John Silver's ("LJS") and A&W All American Food Restaurants ("A&W") brands to key franchise leaders and strategic investors in separate transactions. The results for these businesses through the sale dates are included in the Company's results for 2011.

Strategies

The Company has historically focused on the following 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 1.4 billion in mainland China, the Company is rapidly adding KFC and Pizza Hut Casual Dining restaurants, beginning to develop Pizza Hut Home Service (home delivery) and testing the additional restaurant concept of 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 low double-digit percentage unit growth, mid-single digit same-store sales growth and moderate margin improvement, 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 1,200 new restaurants in 2013, representing 14 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 approximately 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 $3.3 billion and $8.5 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.

Our ongoing earnings growth model, including the components above, is expected to generate EPS growth of at least 10% annually. However, due primarily to poor performance in our China Division, the Company's 2013 EPS prior to Special Items declined 9%. Our 2014 EPS prior to Special Items is expected to grow at least 20% due in large part to our expectations that China Division Operating Profit for 2014 will grow at a rate significantly above the ongoing growth rate of 15% indicated above.

2013 Highlights

- KFC China sales and profits were significantly impacted by the effects of the December 2012 poultry supply incident, as well as subsequent news of avian flu.
- Worldwide system sales grew 2%, prior to foreign currency translation, including 5% growth at YRI and 1% growth in the U.S. System sales declined 4% in China.
- Same-store sales declined 13% in China. Same-store sales grew 1% at YRI and were flat in the U.S.
- Total international development was 1,952 new restaurants.
- Worldwide restaurant margin declined 1.6 percentage points to 15.0%, including a decline of 2.7 percentage points in China. Restaurant margin was even at YRI and increased 0.6 percentage points in the U.S.
- Worldwide operating profit declined 10%, prior to foreign currency translation, including a decline of 26% in China. Operating profit grew 10% at YRI and 3% in the U.S.
- Worldwide effective tax rate increased to 28.0% from 25.8%, driven primarily by a tax reserve adjustment in the third quarter. The tax rate increase negatively impacted 2013 EPS results by 3 percentage points.
- A non-cash, Special Items net charge of $258 million related to the write-down of Little Sheep intangible assets was recorded in the third quarter. This charge impacted reported EPS by 16 percentage points for the full year.
- The Company repurchased $550 million of outstanding debt in the fourth quarter and recorded a Special Items net charge of approximately $75 million, primarily due to premiums paid related to this transaction. This charge impacted reported EPS by 5 percentage points for the full year.

All preceding comparisons are versus the same period a year ago and exclude the impact of Special Items unless otherwise noted. 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

	Amount			% B/(W)	
	2013	2012	2011	2013	2012
Company sales	$ 11,184	$ 11,833	$ 10,893	(5)	9
Franchise and license fees and income	1,900	1,800	1,733	6	4
TOTAL REVENUES	**$ 13,084**	**$ 13,633**	**$ 12,626**	(4)	8
COMPANY RESTAURANT PROFIT	**$ 1,683**	**$ 1,981**	**$ 1,753**	(15)	13
% OF COMPANY SALES	**15.0%**	**16.7%**	**16.1%**	(1.7) ppts.	0.6 ppts.
OPERATING PROFIT	**$ 1,798**	**$ 2,294**	**$ 1,815**	(22)	26
Interest expense, net	247	149	156	(66)	5
Income tax provision	487	537	324	9	(66)
Net Income – including noncontrolling interests	1,064	1,608	1,335	(34)	20
Net Income (loss) – noncontrolling interests	(27)	11	16	NM	35
NET INCOME – YUM! BRANDS, INC.	**$ 1,091**	**$ 1,597**	**$ 1,319**	(32)	21
DILUTED EPS[(a)]	**$ 2.36**	**$ 3.38**	**$ 2.74**	(30)	23
DILUTED EPS BEFORE SPECIAL ITEMS[(a)]	**$ 2.97**	**$ 3.25**	**$ 2.87**	(9)	13
REPORTED EFFECTIVE TAX RATE	**31.4%**	**25.0%**	**19.5%**		
EFFECTIVE TAX RATE BEFORE SPECIAL ITEMS	**28.0%**	**25.8%**	**24.2%**		

(a) See Note 3 for the number of shares used in these calculations.

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

Special Items

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") above and throughout this document, the Company has provided non-GAAP measurements which present operating results in 2013, 2012 and 2011 on a basis before Special Items.

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 our China, YRI, U.S. or India 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 2013, 2012 and 2011 that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

The table below details items classified as Special Items.

	Year 2013	2012	2011
Detail of Special Items			
U.S. Refranchising gain (loss)	$ 91	$ 122	$ (17)
Pension settlement charges	(10)	(84)	—
Little Sheep impairment	(295)	—	—
Gain upon acquisition of Little Sheep	—	74	—
Losses associated with the refranchising of the Pizza Hut UK dine-in business	(1)	(70)	(76)
Losses and other costs relating to the LJS and A&W divestitures	—	—	(86)
Other Special Items Income (Expense)	(7)	16	(8)
Special Items Income (Expense) – Operating Profit	(222)	58	(187)
Losses related to the extinguishment of debt – Interest Expense, net	(118)	—	—
Special Items Income (Expense) before income taxes	(340)	58	(187)
Tax Benefit (Expense) on Special Items[(a)]	41	1	123
Special Items Income (Expense), net of tax – including noncontrolling interests	(299)	59	(64)
Special Items Income (Expense), net of tax – noncontrolling interests	19	—	—
Special Items Income (Expense), net of tax – YUM! Brands, Inc.	$ (280)	$ 59	$ (64)
Average diluted shares outstanding	461	473	481
Special Items diluted EPS	$ (0.61)	$ 0.13	$ (0.13)
Reconciliation of Operating Profit Before Special Items to Reported Operating Profit			
Operating Profit before Special Items	$ 2,020	$ 2,236	$ 2,002
Special Items Income (Expense) – Operating Profit	(222)	58	(187)
REPORTED OPERATING PROFIT	**$ 1,798**	**$ 2,294**	**$ 1,815**
Reconciliation of EPS Before Special Items to Reported EPS			
Diluted EPS before Special Items	$ 2.97	$ 3.25	$ 2.87
Special Items EPS	(0.61)	0.13	(0.13)
REPORTED EPS	**$ 2.36**	**$ 3.38**	**$ 2.74**
Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate			
Effective Tax Rate before Special Items	28.0%	25.8%	24.2%
Impact on Tax Rate as a result of Special Items[(a)]	3.4%	(0.8)%	(4.7)%
REPORTED EFFECTIVE TAX RATE	**31.4%**	**25.0%**	**19.5%**

(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.

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U.S. Refranchising gain (loss)

In the years ended December 28, 2013 and December 29, 2012, we recorded pre-tax refranchising gains of $91 million and $122 million, respectively, in the U.S. primarily due to gains on sales of Taco Bell restaurants. In the year ended December 31, 2011, we recorded pre-tax losses of $17 million from refranchising in the U.S., which were primarily the net result of gains from restaurants sold and non-cash impairment charges related to our offers to refranchise restaurants in the U.S., principally a substantial portion of our Company-owned KFC restaurants. Refranchising gains and losses are more fully discussed in Note 4 and the Store Portfolio Strategy Section of the MD&A.

Pension Settlement Charges

During the fourth quarter of 2012 and continuing through 2013, the Company allowed certain former employees with deferred vested balances in our U.S. pension plans an opportunity to voluntarily elect an early payout of their pension benefits. The majority of these payouts were funded from existing pension assets.

As a result of settlement payments from the programs discussed above exceeding the sum of service and interest costs within these U.S. pension plans in 2013 and 2012, pursuant to our accounting policy we recorded pre-tax settlement charges of $10 million and $84 million for the years ended December 28, 2013 and December 29, 2012, respectively, in General and administrative expenses. See Note 14 for further discussion of our pension plans.

Little Sheep Acquisition and Subsequent Impairment

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 Consolidated Statement of Income in 2012.

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 Consolidated Statements of Income. Since the acquisition, we have reported Little Sheep's results of operations in the appropriate line items of our 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 in Net Income (loss) – noncontrolling interests. In 2012, the consolidation of Little Sheep increased China Division Revenues by 4%, decreased China

Restaurant Margin by 0.4 percentage points and did not have a significant impact on China Division Operating Profit versus 2011.

The purchase price paid for the additional 66% interest and the resulting purchase price allocation assumed same-store sales growth and new unit development for the brand. As a result of consolidating Little Sheep, the primary assets recorded in 2012 were an indefinite-lived Little Sheep trademark and goodwill of approximately $400 million and $375 million, respectively. The goodwill was assigned to the newly formed Little Sheep reporting unit within our China Division.

Little Sheep's sales were negatively impacted by a longer than expected purchase approval and ownership transition phase. Our efforts to regain sales momentum were significantly compromised in May 2013 due to negative publicity regarding quality issues with unrelated hot pot concepts in China, even though there was not an issue with the quality of Little Sheep products.

While we remain confident in the long-term potential of Little Sheep, the sustained declines in sales and profits that began in May 2013 and continued through the third quarter, coupled with the anticipated time it will now take for the business to recover, resulted in a determination during the quarter ended September 7, 2013 that it was not more likely than not that the Little Sheep trademark and reporting unit fair values were in excess of their carrying values. Therefore, our Little Sheep trademark and goodwill were tested for impairment in the quarter ended September 7, 2013, prior to the annual impairment reviews performed in the fourth quarter of each year in accordance with our accounting policy.

As a result of comparing the trademark's fair value of $345 million to its carrying value of $414 million, an impairment charge of $69 million was recorded. Additionally, after determining the fair value of the Little Sheep reporting unit was less than its carrying value, goodwill was written down to $162 million, resulting in an impairment charge of $222 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded a $4 million impairment charge related to restaurant-level PP&E.

These non-cash impairment charges totalling $295 million were recorded in Closures and impairment (income) expense on our Consolidated Statement of Income. We recorded an $18 million tax benefit associated with these impairments and allocated $19 million of the after-tax impairment charges to Net Income (loss) - noncontrolling interests, which resulted in a net impairment charge of $258 million allocated to Net Income - YUM! Brands, Inc.

Losses Associated With the Refranchising of the Pizza Hut UK Dine-in Business

During the fourth quarter of 2012, we refranchised our remaining 331 Company-owned Pizza Hut dine-in restaurants in the United Kingdom ("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 through 2016. This upfront loss largely contributed to a $70 million Refranchising loss we recognized in Special Items during 2012, net of income tax benefits of $9 million. During 2011, we recorded a $76 million charge in Refranchising gain (loss) as a result of our decision to refranchise or close all of the remaining Company-owned Pizza Hut UK dine-in restaurants, primarily to write down these restaurants' long-lived assets to their then estimated fair value.

For the year ended December 28, 2013, the refranchising of the Pizza Hut UK dine-in restaurants decreased Company sales by 18% and increased Franchise and license fees and income and Operating Profit by 2% and 3%, respectively, for the YRI Division versus 2012.

Losses and Other Costs Relating to the LJS and A&W Divestitures

In 2011, we sold the Long John Silver's and A&W All American Food Restaurants brands to key franchise leaders and strategic investors in separate transactions. We recognized $86 million of losses and other costs primarily in Closures and impairment (income) expenses as a result of our decision to sell these businesses. Additionally, we recognized $104 million of tax benefits related to these divestitures. In 2012 as compared to 2011, System sales and Franchise and license fees and income in the U.S. were negatively impacted by 5% and 6%, respectively, due to these divestitures while YRI's system sales and Franchise and license fees and income were both negatively impacted by 1%. While these divestitures negatively impacted both the U.S. and YRI segments' Operating Profit by 1% in 2012, the impact on our consolidated Operating Profit was not significant.

Other Special Items Income (Expense)

In connection with the aforementioned refranchising of stores in the U.S., we have taken several measures to transform our U.S. business, including G&A productivity initiatives and realignment of resources (primarily severance and early retirement costs). Other Special Items Income (Expense) in 2013 includes charges relating to these U.S. G&A productivity initiatives and realignment of resources of $5 million as well as $2 million of costs recorded in G&A that were part of the $120 million charge related to the extinguishment of debt. Other Special Items Income (Expense) in 2012 includes the depreciation reduction from the 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 of $13 million and $3 million, respectively, gains from real estate sales related to our previously refranchised Mexico business of $3 million and charges relating to U.S. G&A productivity initiatives and realignment of resources of $5 million. Other Special Items Income (Expense) in 2011 includes the depreciation reduction from the 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 of $3 million and $10 million, respectively, and charges relating to U.S. G&A productivity initiatives and realignment of resources of $21 million.

Losses Related to the Extinguishment of Debt

During the fourth quarter of 2013, we completed a cash tender offer to repurchase $550 million of our Senior Unsecured Notes due either March 2018 or November 2037. This transaction resulted in $120 million of losses as a result of premiums paid and other costs, $118 million of which was classified as Interest expense, net in our Consolidated Statement of Income. The repurchase of the Senior Unsecured Notes was funded primarily by proceeds of $599 million received from the issuance of new Senior Unsecured Notes. See Note 10 for further discussion on the issuance of Senior Unsecured Notes.

China Poultry Supply Incident and Avian Flu

In late December 2012 our KFC China sales began to be negatively impacted by intense media attention surrounding an investigation by the Shanghai FDA (SFDA) into poultry supply management at our China Division. In January 2013 the SFDA concluded its investigation and released its recommendations to Yum! China. During 2013 our team in China undertook a comprehensive review of our supply chain, incorporated the SFDA's recommendations and, as part of our commitment to quality, took additional steps to further strengthen our overall poultry supply chain practices, including increased testing of product received

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from suppliers. As a result of increased product testing and additional regulatory scrutiny, instances of supplier noncompliance are identified from time to time, leading to related actions by us and regulatory authorities, including the termination of certain suppliers in accordance with our policies.

KFC China sales were further negatively impacted beginning in April of 2013 by the intense media surrounding avian flu in China. The combined impacts of the media attention surrounding the SFDA investigation and avian flu resulted in a 13% decline in China Division same-store sales for the full year. Operating Profit for 2013 declined 26%, prior to foreign currency translation, due primarily to sales de-leverage at KFC.

As the extensive publicity in 2013 around these two events subsided, KFC China's sales began to recover, and same-store sales improved in each consecutive month during China Division's fourth quarter. KFC China's fourth quarter same-store sales declined 4% compared to same store sales declines of 15% for the full year.

Given the momentum of the KFC business and the continued strength of Pizza Hut Casual Dining, China Division 2014 Operating Profit is expected to return to 2012 levels of more than $1 billion.

In light of increased attention on food safety issues in China generally, and on poultry supply in particular, as well as recent reports of avian flu in China, further reports relating to either issue could have a material adverse effect on our sales and results of operations for our China Division. See Item IA "Risk Factors" on page 6 for a discussion of risks relating to food safety and avian flu.

Extra Week in 2011

Our fiscal calendar results in a 53rd week every five or six years. Fiscal year 2011 included a 53rd week in the fourth quarter for all our U.S. businesses and certain of our YRI businesses that report on a period, as opposed to a monthly, basis. Our China and India Divisions report on a monthly basis and thus did not have a 53rd week in 2011.

See the System Sales Growth section within our MD&A for further discussion on the impact of 53rd week in 2011 on system sales. The following table summarizes the estimated impact of the 53rd week in 2011 on revenues and Operating Profit:

	U.S.	YRI	Unallocated	Total
Revenues				
Company sales	$ 43	$ 29	$ —	$ 72
Franchise and license fees	13	6	—	19
Total Revenues	$ 56	$ 35	$ —	$ 91
Operating Profit				
Franchise and license fees	$ 13	$ 6	$ —	$ 19
Restaurant profit	9	6	—	15
General and administrative expenses	(4)	(4)	(1)	(9)
Operating Profit[(a)]	**$ 18**	**$ 8**	**$ (1)**	**$ 25**

(a) The $25 million benefit was offset throughout 2011 by investments, including franchise development incentives, as well as higher-than-normal spending, such as restaurant closures in the U.S. and YRI.

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 Company ownership of strategic U.S. and international markets in which we choose to continue investing capital. We refranchised 214, 468 and 404 Company restaurants in the U.S. in the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. Additionally, in December 2012 we refranchised 331 remaining Company-owned dine-in restaurants in the Pizza Hut UK business.

The following table summarizes our worldwide refranchising activities, including amounts characterized as Special Items:

	2013	2012	2011
Number of units refranchised	286	897	529
Refranchising proceeds, pre-tax	$ 260	$ 364	$ 246
Refranchising (gain) loss, pre-tax	$ (100)	$ (78)	$ 72

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 expense 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 expenses that we no longer incurred as a result of stores that were operated by us for all or a portion of the respective previous year and were no longer operated by us as of the last day of the respective current year.

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 previous year and were no longer operated by us as of the last day of the respective current year. 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 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:

	2013				
	China	YRI	U.S.	India	Worldwide
Decreased Company sales	$ (54)	$ (439)	$ (481)	$ —	$ (974)
Increased Franchise and license fees and income	7	23	32	—	62
DECREASE IN TOTAL REVENUES	**$ (47)**	**$ (416)**	**$ (449)**	**$ —**	**$ (912)**

	2012				
	China	YRI	U.S.	India	Worldwide
Decreased Company sales	$ (54)	$ (113)	$ (606)	$ —	$ (773)
Increased Franchise and license fees and income	9	10	43	—	62
DECREASE IN TOTAL REVENUES	**$ (45)**	**$ (103)**	**$ (563)**	**$ —**	**$ (711)**

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

	2013				
	China	YRI	U.S.	India	Worldwide
Decreased Restaurant profit	$ (6)	$ (32)	$ (59)	$ —	$ (97)
Increased Franchise and license fees and income	7	23	32	—	62
Increased Franchise and license expenses	(4)	(3)	(2)	—	(9)
Decreased G&A	—	22	7	—	29
INCREASE (DECREASE) IN OPERATING PROFIT	**$ (3)**	**$ 10**	**$ (22)**	**$ —**	**$ (15)**

	2012				
	China	YRI	U.S.	India	Worldwide
Decreased Restaurant profit	$ (8)	$ (7)	$ (46)	$ —	$ (61)
Increased Franchise and license fees and income	9	10	43	—	62
Increased Franchise and license expenses	(4)	(4)	(6)	—	(14)
Decreased G&A	—	2	12	—	14
INCREASE (DECREASE) IN OPERATING PROFIT	**$ (3)**	**$ 1**	**$ 3**	**$ —**	**$ 1**

Internal Revenue Service Proposed Adjustments

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 $255 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 $40 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 2013, computed on a similar basis to the 2004-2008 additional taxes, would be approximately $140 million plus net interest to date of approximately $10 million.

For 2013, our effective tax rate, excluding Special Items, increased from 25.8% in 2012 to 28.0% primarily as a result of an incremental provision recorded related to this matter. We believe we have properly reported our taxable income and paid taxes consistent with all applicable laws and intend to vigorously defend our position, including through litigation, if we are unable to settle with the IRS through administrative proceedings. As the final resolution of the proposed adjustments remains uncertain, 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

Worldwide	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees[a]
Balance at end of 2011	26,928	7,437	587	34,952
New Builds	1,274	989	82	2,345
Acquisitions[b]	268	204	—	472
Refranchising	897	(897)	—	—
Closures	(756)	(155)	(9)	(920)
Other	(3)	—	—	(3)
Balance at end of 2012	28,608	7,578	660	36,846
New Builds	1,358	940	66	2,364
Acquisitions	(138)	138	—	—
Refranchising	286	(286)	—	—
Closures	(773)	(239)	(10)	(1,022)
Other	8	—	—	8
BALANCE AT END OF 2013	**29,349**	**8,131**	**716**	**38,196**
% of Total	77%	21%	2%	100%

China	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees[a]
Balance at end of 2011	201	3,705	587	4,493
New Builds	25	782	82	889
Acquisitions[b]	273	199	—	472
Refranchising	53	(53)	—	—
Closures	(33)	(86)	(9)	(128)
Balance at end of 2012	519	4,547	660	5,726
New Builds	10	664	66	740
Acquisitions	(1)	1	—	—
Refranchising	28	(28)	—	—
Closures	(55)	(158)	(10)	(223)
BALANCE AT END OF 2013	**501**	**5,026**	**716**	**6,243**
% of Total	8%	81%	11%	100%

YRI	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees[a]
Balance at end of 2011	12,476	1,511	—	13,987
New Builds	873	76	—	949
Acquisitions	(2)	2	—	—
Refranchising	376	(376)	—	—
Closures	(400)	(35)	—	(435)
Other	(1)	—	—	(1)
Balance at end of 2012	13,322	1,178	—	14,500
New Builds	936	119	—	1,055
Acquisitions	(112)	112	—	—
Refranchising	44	(44)	—	—
Closures	(408)	(39)	—	(447)
Other	2	—	—	2
BALANCE AT END OF 2013	**13,784**	**1,326**	**—**	**15,110**
% of Total	91%	9%	—%	100%

U.S.	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees[(a)]
Balance at end of 2011	13,867	2,139	—	16,006
New Builds	273	96	—	369
Refranchising	468	(468)	—	—
Closures	(312)	(34)	—	(346)
Other	(2)	—	—	(2)
Balance at end of 2012	14,294	1,733	—	16,027
New Builds	323	89	—	412
Acquisitions	(19)	19	—	—
Refranchising	214	(214)	—	—
Closures	(296)	(39)	—	(335)
Other	6	—	—	6
BALANCE AT END OF 2013	**14,522**	**1,588**	**—**	**16,110**
% of Total	90%	10%	—%	100%

India	Franchisees	Company	Unconsolidated Affiliates	Total Excluding Licensees[(a)]
Balance at end of 2011	384	82	—	466
New Builds	103	35	—	138
Acquisitions	(3)	3	—	—
Closures	(11)	—	—	(11)
Balance at end of 2012	473	120	—	593
New Builds	89	68	—	157
Acquisitions	(6)	6	—	—
Closures	(14)	(3)	—	(17)
BALANCE AT END OF 2013	**542**	**191**	**—**	**733**
% of Total	74%	26%	—%	100%

(a) The Worldwide, YRI and U.S. totals exclude 2,115, 119 and 1,996 licensed units, respectively, at December 28, 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.

(b) Includes 472 Little Sheep units acquired on February 1, 2012.

Multibrand restaurants are included in the totals above. Multibrand conversions increase the sales and points of distribution for the second brand added to a restaurant but do not result in an additional unit count. Similarly, a new multibrand restaurant, while increasing sales and points of distribution for two brands, results in just one additional unit count.

System Sales Growth

The following tables detail the key drivers of system sales growth for each reportable segment by year. Net unit growth 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.

	2013 vs. 2012				
	China	YRI	U.S.	India[(a)]	Worldwide
Same store sales growth (decline)	(13)%	1%	—%	—%	(2)%
Net unit growth and other	9	4	1	20	4
Foreign currency translation	3	(4)	N/A	(9)	(1)
% CHANGE	**(1)%**	**1%**	**1%**	**11%**	**1%**
% CHANGE, EXCLUDING FOREX	**(4)%**	**5%**	**1%**	**20%**	**2%**

	2012 vs. 2011				
	China	YRI	U.S.	India	Worldwide
Same store sales growth (decline)	4%	3%	5%	5%	4%
Net unit growth and other[(b)]	16	3	(5)	24	2
Foreign currency translation	3	(3)	N/A	(16)	(1)
53rd week in 2011	N/A	(1)	(1)	N/A	(1)
% CHANGE	**23%**	**2%**	**(1)%**	**13%**	**4%**
% CHANGE, EXCLUDING FOREX AND 53RD WEEK IN 2011	**20%**	**6%**	**—%**	**29%**	**6%**

(a) *At the beginning of fiscal 2013, we eliminated the period lag that was previously used to facilitate the reporting of our India Division's results. Accordingly, the India Division's 2013 results include the months of January through December 2013. Due to the immateriality of the India Division's results we did not restate the prior year's operating results for the elimination of this period lag. Therefore, the 2012 results continue to include the months of December 2011 through November 2012. Additionally, the table above compares these months. If we had compared like months in 2013 to 2012, India Division system sales, excluding the impact of foreign currency translation, would have been 2% higher and same-store sales would have been 1% lower versus what is shown above, respectively for the year ended December 28, 2013.*

(b) *For the year ended December 29, 2012, system sales growth includes a 1% and 5% negative impact for YRI and the U.S., respectively, related to the LJS and A&W divestitures and a 3% positive impact for China related to the acquisition of Little Sheep. Combined these items had a 2% net negative impact for Worldwide system sales for the year ended December 29, 2012.*

Company-Operated Store Results

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

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 or 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 or 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 dollar changes in Company Restaurant profit by year were as follows:

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.

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China

	2013 vs. 2012				
Income/(Expense)	**2012**	**Store Portfolio Actions**	**Other**	**FX**	**2013**
Company sales	$ 6,797	$ 611	$ (785)	$ 177	$ 6,800
Cost of sales	(2,312)	(190)	303	(59)	(2,258)
Cost of labor	(1,259)	(129)	62	(34)	(1,360)
Occupancy and other	(1,993)	(211)	127	(55)	(2,132)
RESTAURANT PROFIT	**$ 1,233**	**$ 81**	**$ (293)**	**$ 29**	**$ 1,050**
Restaurant margin	18.1%				15.4%

Income/(Expense)	2011	2012 vs. 2011 Store Portfolio Actions	Other	FX	2012
Company sales	$ 5,487	$ 910	$ 249	$ 151	$ 6,797
Cost of sales	(1,947)	(318)	3	(50)	(2,312)
Cost of labor	(890)	(207)	(134)	(28)	(1,259)
Occupancy and other	(1,568)	(336)	(45)	(44)	(1,993)
RESTAURANT PROFIT	**$ 1,082**	**$ 49**	**$ 73**	**$ 29**	**$ 1,233**
Restaurant margin	19.7%				18.1%

In 2013, the increase in China Company sales and Restaurant profit associated with store portfolio actions was driven by new unit development and the 2012 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 12% and the impact of wage rate inflation of 7%, partially offset by restaurant operating efficiencies.

In 2012, the increase in China Company sales associated with store portfolio actions was primarily driven by new unit development and the acquisition of Little Sheep, partially offset by restaurant closures. The increase in China Restaurant profit associated with store portfolio actions was primarily driven by new unit development, partially offset by restaurant closures. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 4%, which was partially offset by wage rate inflation of 10% and higher rent and utilities.

YRI

Income/(Expense)	2012	2013 vs. 2012 Store Portfolio Actions	Other	FX	2013
Company sales	$ 2,402	$ (252)	$ 42	$ (33)	$ 2,159
Cost of sales	(787)	39	(15)	15	(748)
Cost of labor	(599)	88	(2)	5	(508)
Occupancy and other	(705)	95	(24)	9	(625)
RESTAURANT PROFIT	**$ 311**	**$ (30)**	**$ 1**	**$ (4)**	**$ 278**
Restaurant margin	12.9%				12.9%

Income/(Expense)	2011	2012 vs. 2011 Store Portfolio Actions	Other	FX	53rd Week in 2011	2012
Company sales	$ 2,341	$ 100	$ 72	$ (82)	$ (29)	$ 2,402
Cost of sales	(743)	(65)	(18)	30	9	(787)
Cost of labor	(608)	(3)	(15)	19	8	(599)
Occupancy and other	(700)	(16)	(18)	23	6	(705)
RESTAURANT PROFIT	**$ 290**	**$ 16**	**$ 21**	**$ (10)**	**$ (6)**	**$ 311**
Restaurant margin	12.4%					12.9%

In 2013, the decrease in YRI Company sales and Restaurant profit associated with store portfolio actions was driven by the refranchising of our remaining Company-owned Pizza Hut dine-in restaurants in the UK in the fourth quarter of 2012. Net new unit development and the acquisition of 106 stores in Turkey from a franchisee partially offset the decline in Company sales related to refranchising. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 2%, partially offset by higher restaurant operating costs.

In 2012, the increase in YRI Company sales and Restaurant profit associated with store portfolio actions was driven by the acquisition of restaurants in South Africa in the fourth quarter of 2011 and net new unit development, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 3%, which was offset by the combination of higher labor costs and commodity inflation.

U.S.

Income/(Expense)	2012	2013 vs. 2012 Store Portfolio Actions	Other	2013
Company sales	$ 2,550	$ (431)	$ (3)	$ 2,116
Cost of sales	(740)	130	(5)	(615)
Cost of labor	(751)	131	5	(615)
Occupancy and other	(643)	119	(5)	(529)
RESTAURANT PROFIT	**$ 416**	**$ (51)**	**$ (8)**	**$ 357**
Restaurant margin	16.3%			16.9%

		2012 vs. 2011			
Income/(Expense)	2011	Store Portfolio Actions	Other	53rd Week in 2011	2012
Company sales	$ 3,000	$ (535)	$ 128	$ (43)	$ 2,550
Cost of sales	(917)	177	(13)	13	(740)
Cost of labor	(912)	165	(16)	12	(751)
Occupancy and other	(809)	164	(7)	9	(643)
RESTAURANT PROFIT	**$ 362**	**$ (29)**	**$ 92**	**$ (9)**	**$ 416**
Restaurant margin	12.1%				16.3%

In 2013, the decrease in U.S. Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising, partially offset by net new unit development. Significant other factors impacting Company sales and/or Restaurant profit were higher commodity costs and promotional activities. Company same-store sales were flat in 2013.

In 2012, the decrease in U.S. Company sales and Restaurant profit associated with store portfolio actions was primarily driven by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were same-store sales growth of 5%, including the positive impact of less discounting, combined with the positive impact of sales mix shifts as well as supply chain efficiencies, partially offset by higher restaurant-level incentive compensation costs.

Franchise and License Fees and Income

	Amount			% Increase (Decrease)		% Increase (Decrease) excluding foreign currency translation		% Increase (Decrease) excluding foreign currency translation and 53rd week	
	2013	2012	2011	2013	2012	2013	2012	2013	2012
China	$ 105	$ 101	$ 79	4	29	2	25	2	25
YRI	940	879	851	7	3	10	7	10	8
U.S.	837	802	786	4	2	4	2	4	4
India	18	18	17	—	6	8	18	8	18
WORLDWIDE	**$ 1,900**	**$ 1,800**	**$ 1,733**	6	4	7	6	7	7

China Franchise and license fees and income increased 2% in 2013, excluding the impact of foreign currency translation. The increase was driven by refranchising and franchise new unit development, partially offset by franchise same-store sales declines. China Franchise and license fees and income increased 25% in 2012, excluding the impact of foreign currency translation. The increase was driven by refranchising, franchise new unit development and franchise same-store sales growth.

YRI Franchise and license fees and income increased 10% in 2013, excluding the impact of foreign currency translation. The increase was driven by franchise net new unit development, franchise same-store sales growth and refranchising. YRI Franchise and license fees and income increased 8% in 2012, excluding the impact of foreign currency translation and the 53rd week in 2011. The increase was driven by franchise net new unit development and franchise same-store sales growth.

U.S. Franchise and license fees and income increased 4% in 2013 driven by refranchising. U.S. Franchise and license fees and income increased 4% in 2012, excluding the 53rd week in 2011. The increase was driven by refranchising and franchise same-store sales growth, partially offset by the LJS and A&W divestitures.

General and Administrative Expenses

	Amount			% Increase (Decrease)		% Increase (Decrease) excluding foreign currency translation		% Increase (Decrease) excluding foreign currency translation and 53rd week	
	2013	2012	2011	2013	2012	2013	2012	2013	2012
China	$ 357	$ 334	$ 275	7	21	5	19	5	19
YRI	394	414	400	(5)	3	(3)	6	(3)	7
U.S.	427	467	450	(9)	4	(9)	4	(9)	5
India	27	24	22	14	9	25	25	25	25
Unallocated	207	271	225	(24)	21	(24)	21	(24)	22
WORLDWIDE	**$ 1,412**	**$ 1,510**	**$ 1,372**	(6)	10	(6)	11	(6)	11

China G&A expenses for 2013, excluding the impact of foreign currency translation, increased due to higher headcount and wage inflation and additional G&A as a result of consolidating Little Sheep beginning in the second quarter of 2012, partially offset by lower incentive compensation costs.

China G&A expenses for 2012, excluding the impact of foreign currency translation, increased due to higher headcount and wage inflation and additional G&A as a result of consolidating Little Sheep beginning in the second quarter of 2012.

YRI G&A expenses for 2013, excluding the impact of foreign currency translation, decreased due to the impact of refranchising our remaining Company-owned Pizza Hut UK dine-in restaurants in the fourth quarter of 2012, lapping certain prior year headquarter restructuring costs and a pension curtailment gain in the first quarter of 2013 related to one of our UK pension plans, partially offset by higher headcount in strategic growth markets.

YRI G&A expenses for 2012, excluding the impact of foreign currency translation, increased due to investments in strategic growth markets, including the acquisition of restaurants in South Africa in 2011, and increased compensation costs in the remaining markets.

U.S. G&A expenses for 2013 decreased due to lower incentive compensation costs, lapping higher litigation costs recorded in 2012, our restaurant refranchising initiatives and lower pension costs.

U.S. G&A expenses for 2012 increased due to higher pension costs, incentive compensation costs and litigation costs, partially offset by the LJS and A&W divestitures and our restaurant refranchising initiatives.

Unallocated G&A expenses for 2013 decreased due to lower pension costs, which includes lower settlement charges, and lower incentive compensation costs, partially offset by higher legal and professional fees.

Unallocated G&A expenses for 2012 increased due to higher pension costs, including a pension settlement charge of $87 million, partially offset by lapping costs related to the actions taken as part of our U.S. business transformation measures, lower litigation costs and costs related to the LJS and A&W divestitures in 2011.

Franchise and License Expenses

	Amount			% Increase (Decrease)		% Increase (Decrease) excluding foreign currency translation		% Increase (Decrease) excluding foreign currency translation and 53rd week	
	2013	2012	2011	2013	2012	2013	2012	2013	2012
China	$ 13	$ 9	$ 4	41	NM	38	NM	38	NM
YRI	65	50	51	29	—	27	4	27	4
U.S.	78	74	92	6	(20)	6	(20)	6	(19)
India	2	—	—	NM	—	NM	—	NM	—
Unallocated	—	—	(2)	—	78	—	78	—	78
WORLDWIDE	**$ 158**	**$ 133**	**$ 145**	19	(8)	19	(7)	19	(7)

China Franchise and license expenses for 2013 and 2012, excluding the impact of foreign currency translation, increased due to higher franchise-related rent expense and depreciation as a result of refranchising.

YRI Franchise and license expenses for 2013, excluding the impact of foreign currency translation, increased due to costs associated with our bi-annual franchise convention, higher marketing costs and higher franchise-related rent expense and depreciation as a result of refranchising.

YRI Franchise and license expenses for 2012, excluding foreign currency translation, were higher due to higher franchise rent expense and depreciation as a result of refranchising, partially offset by lapping costs associated with our bi-annual franchise convention.

U.S. Franchise and license expenses for 2013 increased due to higher franchise development incentives, lapping recoveries of past due receivables in 2012 and higher franchise-related rent expense and depreciation as a result of refranchising.

U.S. Franchise and license expenses for 2012 were positively impacted by 15% due to the LJS and A&W divestitures. The remaining decrease was driven by lower franchise development incentives, partially offset by higher franchise-related rent expense and depreciation as a result of refranchising.

Worldwide Other (Income) Expense

	2013	2012	2011
Equity income from investments in unconsolidated affiliates[a]	$ (26)	$ (47)	$ (47)
Gain upon acquisition of Little Sheep[b]	—	(74)	—
Foreign exchange net (gain) loss and other	10	6	(6)
OTHER (INCOME) EXPENSE	**$ (16)**	**$ (115)**	**$ (53)**

(a) Declines in the year ended December 28, 2013 are due to the impact of KFC sales declines in China on net income of our unconsolidated affiliates.

(b) See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for further discussion of the gain upon acquisition of Little Sheep.

Worldwide Closure and Impairment (Income) Expenses 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. See Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results and the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for information on Little Sheep Impairment.

Operating Profit

	Amount			% B/(W)		% B/(W) excluding foreign currency translation	
	2013	2012	2011	2013	2012	2013	2012
China	$ 777	$ 1,015	$ 908	(23)	12	(26)	9
YRI	760	715	673	6	6	10	10
U.S.	684	666	589	3	13	3	13
India	(15)	(1)	—	NM	NM	NM	NM
Unallocated Occupancy and other	—	16	14	NM	14	NM	14
Unallocated and corporate expenses	(207)	(271)	(223)	24	(22)	24	(22)
Unallocated Closures and impairment expense	(295)	—	(80)	NM	NM	NM	NM
Unallocated Other income (expense)	(6)	76	6	NM	NM	NM	NM
Unallocated Refranchising gain (loss)	100	78	(72)	29	NM	29	NM
OPERATING PROFIT	**$ 1,798**	**$ 2,294**	**$ 1,815**	(22)	26	(22)	26
China Operating margin	11.3%	14.7%	16.3%	(3.4) ppts.	(1.6) ppts.	(3.5) ppts.	(1.7) ppts.
YRI Operating margin	24.5%	21.8%	21.1%	2.7 ppts.	0.7 ppts.	3.1 ppts.	0.7 ppts.
U.S. Operating margin	23.2%	19.9%	15.5%	3.3 ppts.	4.4 ppts.	N/A	N/A

China Division Operating Profit decreased 26% in 2013, excluding the impact of foreign currency, driven by same-store sales declines at KFC, partially offset by the impact of new unit development and restaurant operating efficiencies. See the China Poultry Supply Incident and Avian Flu section for further details on KFC China's 2013 same-store sales declines.

China Division Operating Profit increased 9% in 2012, excluding the impact of foreign currency, driven by the impact of same-store sales growth and new unit development, partially offset by higher restaurant operating costs and higher G&A expenses. Leap year added an extra day in the year ended December 29, 2012 and resulted in an additional $5 million of Operating Profit. This was offset by deal costs related to the acquisition of Little Sheep.

YRI Division Operating Profit increased 10% in 2013, excluding the impact of foreign currency. The refranchising of our Pizza Hut UK dine-in business in the fourth quarter of 2012 favorably impacted Operating Profit by 3%, including lapping restaurant impairment charges recorded in the fourth quarter of 2012. Excluding foreign currency and the Pizza Hut UK refranchising, the increase was driven by the impact of same-store sales growth and net new unit development, partially offset by higher restaurant operating costs and higher franchise and license expenses.

YRI Division Operating Profit increased 10% in 2012, excluding the impact of foreign currency, driven by the impact of same-store sales growth and net new unit development, partially offset by higher restaurant operating costs and higher G&A expenses.

U.S. Operating Profit increased 3% in 2013. Refranchising unfavorably impacted Operating Profit by 3%. Excluding the unfavorable impact from refranchising, the increase was driven by lower G&A expenses and net new unit development.

U.S. Operating Profit increased 13% in 2012. The increase was driven by the impact of same-store sales growth and net new unit development, partially offset by higher G&A expenses.

Unallocated and corporate expenses in 2013, 2012 and 2011 are discussed in the General and Administrative Expenses section of the MD&A.

Unallocated Closure and impairment expenses for 2013 represents an impairment charge of $295 million related to Little Sheep. See the Little Sheep Acquisition and Impairment section of Note 4.

Unallocated Closure and impairment expense in 2011 represents $80 million of losses related to the LJS and A&W divestitures.

Unallocated Other income (expense) in 2012 includes a non-cash gain of $74 million related to our acquisition of Little Sheep. See Note 4.

Unallocated Refranchising gain (loss) in 2013, 2012 and 2011 is discussed in Note 4.

Interest Expense, Net

	2013	2012	2011
Interest expense	$ 270	$ 169	$ 184
Interest income	(23)	(20)	(28)
INTEREST EXPENSE, NET	**$ 247**	**$ 149**	**$ 156**

The increase in Interest expense, net for 2013 was primarily driven by $118 million of premiums paid and other costs related to the extinguishment of debt, partially offset by lower average borrowings outstanding and lower interest rates versus 2012. See Losses Related to the Extinguishment of Debt section of Note 4. Additionally, Interest income increased by $9 million due to recoveries of franchise notes.

The decrease in Interest expense, net for 2012 was primarily driven by lower average borrowings outstanding versus 2011.

Income Taxes

The reconciliation of income taxes calculated at the U.S. federal tax statutory rate to our effective tax rate is set forth below:

	2013		2012		2011	
U.S. federal statutory rate	$ 543	35.0%	$ 751	35.0%	$ 580	35.0%
State income tax, net of federal tax benefit	3	0.2	4	0.2	2	0.1
Statutory rate differential attributable to foreign operations	(177)	(11.4)	(165)	(7.7)	(218)	(13.1)
Adjustments to reserves and prior years	49	3.1	(47)	(2.2)	24	1.4
Net benefit from LJS and A&W divestitures	—	—	—	—	(72)	(4.3)
Change in valuation allowances	23	1.5	14	0.6	22	1.3
Other, net	46	3.0	(20)	(0.9)	(14)	(0.9)
INCOME TAX PROVISION	**$ 487**	**31.4%**	**$ 537**	**25.0%**	**$ 324**	**19.5%**

Statutory rate differential attributable to foreign operations. This item includes local taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. The favorable impact is primarily attributable to a majority of our income being earned outside the U.S. where tax rates are generally lower than the U.S. rate.

In 2012, this benefit was negatively impacted by the repatriation of current year foreign earnings to the U.S. as we recognized additional tax expense, resulting from the related effective tax rate being lower than the U.S. federal statutory rate.

In 2011, this benefit was positively impacted by the repatriation of current year foreign earnings as we recognized excess foreign tax credits, resulting from the related effective tax rate being higher than the U.S. federal statutory rate.

Adjustments to reserves and prior years. This item includes: (1) changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position; and (2) the effects of reconciling income tax amounts recorded in our Consolidated Statements of Income to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets. The impact of certain effects or changes may offset items reflected in the '*Statutory rate differential attributable to foreign operations*' line.

In 2013, this item was negatively impacted by the provision recorded to the continuing dispute with the IRS regarding the valuation of rights to intangibles transferred to certain foreign subsidiaries. See Internal Revenue Service Proposed Adjustments section of Note 17.

In 2012, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

Net benefit from LJS and A&W divestitures. This item includes a one-time $117 million tax benefit, including approximately $8 million state benefit, recognized on the LJS and A&W divestitures in 2011, partially offset by $45 million of valuation allowance, including approximately $4 million state expense related to capital loss carryforwards recognized as a result of the divestitures. In addition, we recorded $32 million of tax benefits on $86 million of pre-tax losses and other costs which resulted in $104 million of total net tax benefits related to the divestitures.

Change in valuation allowances. This item relates to changes for deferred tax assets generated or utilized during the current year and changes in our judgment regarding the likelihood of using deferred tax assets that existed at the beginning of the year. The impact of certain changes may offset items reflected in the '*Statutory rate differential attributable to foreign operations*' line.

In 2013, $23 million of net tax expense was driven by $32 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by a $9 million net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2012, $14 million of net tax expense was driven by $16 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by a $2 million net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2011, $22 million of net tax expense was driven by $15 million for valuation allowances recorded against deferred tax assets generated during the current year and $7 million of tax expense resulting from a change in judgment regarding the future use of certain foreign deferred tax assets that existed at the beginning of the year. These amounts exclude $45 million in valuation allowance additions related to capital losses recognized as a result of the LJS and A&W divestitures, which are presented within '*Net Benefit from LJS and A&W divestitures*'.

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as U.S. tax credits and deductions.

In 2013, this item was negatively impacted by the $222 million non-cash impairment of Little Sheep goodwill, which resulted in no related tax benefit.

In 2012, this item was positively impacted by a one-time pre-tax gain of $74 million, with no related income tax expense, recognized on our acquisition of additional interest in, and consolidation of Little Sheep.

Consolidated Cash Flows

Net cash provided by operating activities was $2,139 million in 2013 compared to $2,294 million in 2012. The decrease was primarily due to lower Operating Profit before Special Items and higher income taxes paid.

In 2012, net cash provided by operating activities was $2,294 million compared to $2,170 million in 2011. The increase was primarily driven by higher Operating Profit before Special Items, partially offset by timing of cash payments for operating expenses and higher income taxes paid.

Net cash used in investing activities was $886 million in 2013 compared to $1,005 million in 2012. The decrease was primarily driven by lapping the acquisition of Little Sheep and release of related restricted cash. See Little Sheep Acquisition and Subsequent Impairment section of Note 4.

In 2012, net cash used in investing activities was $1,005 million compared to $1,006 million in 2011. The acquisition of Little Sheep, increased capital spending in China and the lapping of proceeds from the 2011 divestitures of LJS and A&W were offset by the release of restricted cash related to the Little Sheep acquisition and higher proceeds from refranchising in 2012.

Net cash used in financing activities was $1,451 million in 2013 compared to $1,716 million in 2012. The decrease was primarily driven by lower net debt payments and lower share repurchases in 2013, partially offset by higher dividends paid on common stock and lower tax benefits from share-based compensation.

In 2012, net cash used in financing activities was $1,716 million compared to $1,413 million in 2011. The increase was driven by increased share repurchases.

Consolidated Financial Condition

The changes in our Goodwill and Intangible assets, net are primarily the result of the partial impairment of Little Sheep's goodwill and trademark. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4.

The changes in our Other liabilities and deferred credits and Accumulated other comprehensive income (loss) are primarily the result of actuarial gains in our U.S. pension plans recognized in 2013. See Note 14.

Liquidity and Capital Resources

Operating in the QSR industry allows us to generate substantial cash flows from the operations of our Company-owned stores and from our extensive franchise operations which require a limited YUM investment. Net cash provided by operating activities has exceeded $1 billion in each of the last twelve fiscal years, including over $2 billion in 2013, 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 December 28, 2013 we had approximately $1.2 billion in unused capacity under our revolving credit facility that expires in March 2017.

China and YRI represented approximately 70% of the Company's segment operating profit in 2013 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 December 28, 2013, which included no borrowings outstanding under our revolving 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

During 2013, we invested $1,049 million in capital spending, including $568 million in China, $289 million in YRI, $161 million in the U.S. and $31 million in India. For 2014, we estimate capital spending will be approximately $1.2 billion.

During the year ended December 28, 2013 we repurchased shares for $750 million, which excluded the effect of $20 million in shares repurchased with trade dates prior to the 2012 fiscal year end but cash settlement dates subsequent to the 2012 fiscal year. On November 16, 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. On November 22, 2013, our Board of Directors authorized additional share repurchases through May 2015 of up to $750 million (excluding applicable transaction fees) of our outstanding Common Stock. At December 28, 2013, we had remaining capacity to repurchase up to $953 million of outstanding Common Stock (excluding applicable transaction fees) under these authorizations. Shares are repurchased opportunistically as part of our regular capital structure decisions.

During the year ended December 28, 2013, we paid cash dividends of $615 million. Additionally, on November 22, 2013 our Board of Directors approved cash dividends of $0.37 per share of Common Stock that were distributed on February 7, 2014 to shareholders of record at the close of business on January 17, 2014. The Company targets 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 December 28, 2013, our unused Credit Facility totaled $1.2 billion net of outstanding letters of credit of $65 million. There were no borrowings outstanding under the Credit Facility at December 28, 2013. The interest rate for most borrowings under the Credit Facility ranges from 1.0% to 1.75% over the "London Interbank Offered Rate" ("LIBOR"). The exact spread over LIBOR under the Credit Facility depends upon our performance against 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 December 28, 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 2043 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 December 28, 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.

During the fourth quarter of 2013, we issued $325 million aggregate principal amount of 3.88% 10 year Senior Unsecured Notes and $275 million aggregate principal amount of 5.35% 30 year Senior Unsecured Notes. We used the proceeds from our issuances of these Senior Unsecured Notes in part to repurchase certain of our Senior Unsecured Notes due March 2018 and November 2037 with principal amounts of $275 million each totaling $550 million. See Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results and Note 10 for information on the Repurchase of those Senior Unsecured Notes.

Contractual Obligations

In addition to any discretionary spending we may choose to make, our significant contractual obligations and payments as of December 28, 2013 included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations[a]	$ 4,300	$ 186	$ 791	$ 529	$ 2,794
Capital leases[b]	276	18	38	34	186
Operating leases[b]	5,697	721	1,299	1,084	2,593
Purchase obligations[c]	784	604	87	55	38
Deferred compensation and unfunded benefit plans[d]	160	21	33	29	77
TOTAL CONTRACTUAL OBLIGATIONS	**$ 11,217**	**$ 1,550**	**$ 2,248**	**$ 1,731**	**$ 5,688**

(a) *Debt amounts include principal maturities and expected interest payments on a nominal basis. Debt amounts exclude a fair value adjustment of $14 million related to interest rate swaps that hedge the fair value of a portion of our debt. See Note 10.*

(b) *These obligations, which are shown on a nominal basis, relate to nearly 7,300 restaurants. See Note 11.*

(c) *Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We have excluded agreements that are cancelable without penalty. Purchase obligations relate primarily to information technology, marketing, supply agreements, purchases of property, plant and equipment ("PP&E") as well as consulting, maintenance and other agreements.*

(d) *Includes actuarially determined timing of payments from our most significant unfunded pension plan as well as scheduled payments from our deferred compensation plan. This table excludes $113 million of future benefit payments for deferred compensation and other unfunded benefit plans to be paid upon separation of employee's service or retirement from the company, as we cannot reasonably estimate the dates of these future cash payments.*

We have not included in the contractual obligations table approximately $224 million of long-term liabilities for unrecognized tax benefits relating to various tax positions we have taken. These liabilities may increase or decrease over time as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. These liabilities exclude amounts that are temporary in nature and for which we anticipate that over time there will be no net cash outflow.

We sponsor noncontributory defined benefit pension plans covering certain salaried and hourly employees, the most significant of which are in the U.S. and UK. The most significant of the U.S. plans, the YUM Retirement Plan (the "Plan"), is funded while benefits from our other significant U.S. plan are paid by the Company as incurred. Our funding policy for the Plan is to contribute annually amounts that will at least equal the minimum amounts required to comply with the Pension Protection Act of 2006. However, additional voluntary contributions are made from time to time to improve the Plan's funded status. At December 28, 2013 the Plan was in a net overfunded position of $10 million. The UK pension plans are in a net overfunded position of $33 million at our 2013 measurement date.

Based on the current funding status of the Plan and our UK pension plans, we currently estimate that we will not be required to make any contributions in 2014. Investment performance and corporate bond rates have a significant effect on our net funding position as they drive our asset balances and discount rate assumption. Future changes in investment performance and corporate bond rates could impact our funded status and the timing and amounts of required contributions in 2014 and beyond.

Our post-retirement plan in the U.S. is not required to be funded in advance, but is pay as you go. We made post-retirement benefit payments of $7 million in 2013 and no future funding amounts are included in the contractual obligations table. See Note 14 for further details about our pension and post-retirement plans.

We have excluded from the contractual obligations table payments we may make for exposures for which we are self-insured, including workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively "property and casualty losses") and employee healthcare and long-term disability claims. The majority of our recorded liability for self-insured property and casualty losses and employee healthcare and long-term disability claims represents estimated reserves for incurred claims that have yet to be filed or settled.

Off-Balance Sheet Arrangements

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 or the upgrade of existing restaurants and, to a lesser extent, in connection with the Company's refranchising programs in the U.S. We have provided guarantees of approximately $35 million in support of the franchisee loan program at December 28, 2013. The total loans outstanding under the loan pool were $38 million with an additional $42 million available for lending at December 28, 2013.

Our unconsolidated affiliates had approximately $85 million and $60 million of debt outstanding as of December 28, 2013 and December 29, 2012, respectively.

New Accounting Pronouncements Not Yet Adopted

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 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. We do not believe the adoption of this standard will have a significant impact on our consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11), to require that in certain cases, an unrecognized tax benefit, or portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when such items exist in the same taxing jurisdiction. ASU 2013-11 is effective for the Company in our first quarter of fiscal 2014. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, and retrospective application is permitted. We do not believe the adoption of this standard will have a significant impact on our consolidated financial statements.

Critical Accounting Policies and Estimates

Our reported results are impacted by the application of certain accounting policies that require us to make subjective or complex judgments. These judgments involve estimations of the effect of matters that are inherently uncertain and may significantly impact our quarterly or annual results of operations or financial condition. Changes in the estimates and judgments could significantly affect our results of operations, financial condition and cash flows in future years. A description of what we consider to be our most significant critical accounting policies follows.

Impairment or Disposal of Long-Lived Assets

We review long-lived assets of restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We evaluate recoverability based on the restaurant's forecasted undiscounted cash flows, which incorporate our best estimate of sales growth and margin improvement based upon our plans for the unit and actual results at comparable restaurants. For restaurant assets that are deemed to not be recoverable, we write down the impaired restaurant to its estimated fair value. Key assumptions in the determination of fair value are the future after-tax cash flows of the restaurant, which are reduced by future royalties a franchisee would pay, and a discount rate. The after-tax cash flows incorporate reasonable sales growth and margin improvement assumptions that would be used by a franchisee in the determination of a purchase price for the restaurant. Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

We perform an impairment evaluation at a restaurant group level if it is more likely than not that we will refranchise restaurants as a group. Expected net sales proceeds are generally based on actual bids from the buyer, if available, or anticipated bids given the discounted projected after-tax cash flows for the group of restaurants. Historically, these anticipated bids have been reasonably accurate estimations of the proceeds ultimately received. The after-tax cash flows used in determining the anticipated bids incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement as well as expectations as to the useful lives of the restaurant assets, including a deduction for the anticipated, future royalties we would receive under a franchise agreement with terms substantially at market entered into simultaneously with the refranchising transaction.

The discount rate used in the fair value calculations is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant or groups of restaurants and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

We evaluate indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicates impairment might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our most significant indefinite-lived intangible asset is our Little Sheep trademark. We wrote down the Little Sheep trademark from $414 million to $345 million as a result of an impairment charge of $69 million recorded in the quarter ended September 7, 2013. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details. No additional indefinite-lived intangible asset impairment was recorded as a result of our annual testing at the beginning of the fourth quarter.

The fair value of the Little Sheep trademark was based on the estimated price a willing buyer would pay for the asset, and was determined using a relief from royalty valuation approach that included future estimated sales as a significant input. This fair value incorporated a discount rate of 13% as our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing the Little Sheep trademark.

While future business results are difficult to predict, we believe the decline in Little Sheep same-store sales and profit that were deemed an impairment indicator will be reversed over time and significant new unit development will take place. The inputs used in determining the fair value of the Little Sheep trademark assumed that the business will recover to pre-acquisition average unit sales volumes and profit over the next three years. At such pre-acquisition sales and profit levels, we believe that the Little Sheep restaurant-level unit economics will support the new unit development we assumed in the fair value estimation of the trademark. Long-term average growth assumptions subsequent to this assumed recovery include same-store sales growth of 4% and average annual net unit growth of approximately 75 units.

See Note 2 for a further discussion of our policies regarding the impairment or disposal of property, plant and equipment and intangible assets.

Impairment of Goodwill

We evaluate goodwill for impairment on an annual basis or more often if an event occurs or circumstances change that indicates impairment might exist. Goodwill is evaluated for impairment by determining whether the fair value of our reporting units exceed their carrying values. Our reporting units are our operating segments in the U.S., our YRI business units (which are aligned based on geography) and individual brands in our India and China Divisions. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a willing buyer would pay for the reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties.

Future cash flow estimates and the discount rate are the key assumptions when estimating the fair value of a reporting unit. Future cash flows are based on growth expectations relative to recent historical performance and incorporate sales growth and margin improvement assumptions that we believe a third-party buyer would assume when determining a purchase price for the reporting unit. The sales growth and margin improvement assumptions that factor into the discounted cash flows are highly correlated as cash flow growth can be achieved through various interrelated strategies such as product pricing and restaurant productivity initiatives. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

We perform our annual goodwill impairment review as of the beginning of our fourth quarter. Other than the Little Sheep reporting unit discussed below, the fair values of each of our other reporting units were substantially in excess of their respective carrying values as of the 2013 goodwill impairment testing date.

Our most significant goodwill balance is attributed to our Little Sheep reporting unit. We wrote down Little Sheep's goodwill from $384 million to $162 million as a result of an impairment charge of $222 million recorded in the quarter ended September 7, 2013. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details on this impairment. No additional impairment was recorded as a result of our annual impairment review performed at the beginning of the fourth quarter of 2013. The fair value of the Little Sheep reporting unit was based on the estimated price a willing buyer would pay, and was determined using an income approach with future cash flow estimates generated by the business as a significant input. Future cash flow estimates are impacted by new unit development, sales growth and margin improvement. This fair value incorporated a discount rate of 13% as our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing the Little Sheep reporting unit.

While future business results are difficult to predict, we believe the decline in Little Sheep same-store sales and profits that were deemed an impairment indicator will be reversed over time and significant new unit development will take place. As such, the inputs used in determining the fair value of the Little Sheep reporting unit assumed that the business will recover to pre-acquisition average unit sales volumes and profit levels over the next three years. At such pre-acquisition sales and profit levels, we believe that the Little Sheep restaurant-level unit economics will support the new unit development we assumed in the fair value estimation of the reporting unit. Long-term average growth assumptions subsequent to this assumed recovery include same-store sales growth of 4% and average annual net unit growth of approximately 75 units.

When we refranchise restaurants, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising versus the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which include a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transaction. Appropriate adjustments are made to the fair value determinations if such franchise agreement is determined to not be at prevailing market rates. When determining whether such franchise agreement is at prevailing market rates our primary consideration is consistency with the terms of our current franchise agreements both within the country that the restaurants are being refranchised in and around the world. The Company believes consistency in royalty rates as a percentage of sales is appropriate as the Company and franchisee share in the impact of near-term fluctuations in sales results with the acknowledgment that over the long-term the royalty rate represents an appropriate rate for both parties.

The discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee is reduced by future royalties the franchisee will pay the Company. The Company thus considers the fair value of future royalties to be received under the franchise agreement as fair value retained in its determination of the goodwill to be written off when refranchising. Others may consider the fair value of these future royalties as fair value disposed of and thus would conclude that a larger percentage of a reporting unit's fair value is disposed of in a refranchising transaction.

During 2013, the Company's most significant refranchising activity was within our Taco Bell U.S. operating segment, where 178 restaurants were refranchised (representing 17% of beginning-of-year company units) and $4 million in goodwill was written off (representing 4% of beginning-of-year goodwill).

See Note 2 for a further discussion of our policies regarding goodwill.

Allowances for Franchise and License Receivables/Guarantees

Franchise and license receivable balances include continuing fees, initial fees, rent and other ancillary receivables such as fees for support services. Our reserve for franchisee or licensee receivable balances is based upon pre-defined aging criteria or upon the occurrence of other events that indicate that we may not collect the balance due. This methodology results in an immaterial amount of unreserved past due receivable balances at December 28, 2013. As such, we believe our allowance for franchise and license receivables is adequate to cover potential exposure from uncollectible receivable balances at December 28, 2013.

We issue certain guarantees on behalf of franchisees primarily as a result of 1) assigning our interest in obligations under operating leases, primarily as a condition to the refranchising of certain Company restaurants, 2) facilitating franchisee development and 3) equipment financing arrangements to facilitate the launch of new sales layers by franchisees. We recognize a liability for the fair value of such guarantees upon inception of the guarantee and upon any subsequent modification, such as franchise lease renewals, when we remain contingently liable. The fair value of a guarantee is the estimated amount at which the liability could be settled in a current transaction between willing unrelated parties.

The present value of the minimum payments of the assigned leases, discounted at our pre-tax cost of debt, is approximately $625 million at December 28, 2013. Current franchisees are the primary lessees under the vast majority of these leases. Additionally, we have guaranteed approximately $40 million of franchisee loans for various programs. 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 assigned leases and certain of the loan programs. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these guarantees and, historically, we have not been required to make significant payments for guarantees. If payment on these guarantees becomes probable and estimable, we record a liability for our exposure under these guarantees. At December 28, 2013 we have recorded an immaterial liability for our probable exposure under these guarantees. If we begin to be required to perform under these guarantees to a greater extent, our results of operations could be negatively impacted.

See Note 2 for a further discussion of our policies regarding franchise and license operations.

See Note 19 for a further discussion of our guarantees.

Self-Insured Property and Casualty Losses

We record our best estimate of the remaining cost to settle incurred self-insured workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively "property and casualty losses"). The estimate is based on the results of an independent actuarial study and considers historical claim frequency and severity as well as changes in factors such as our business environment, benefit levels, medical costs and the regulatory environment that could impact overall self-insurance costs. Additionally, our reserve includes a risk margin to cover unforeseen events that may occur over the several years required to settle claims, increasing our confidence level that the recorded reserve is adequate.

See Note 19 for a further discussion of our insurance programs.

Pension Plans

Certain of our employees are covered under defined benefit pension plans. Our two most significant plans are in the U.S. and combined had a projected benefit obligation ("PBO") of $1,025 million and a fair value of plan assets of $933 million at December 28, 2013.

The PBO reflects the actuarial present value of all benefits earned to date by employees and incorporates assumptions as to future compensation levels. Due to the relatively long time frame over which benefits earned to date are expected to be paid, our PBOs are highly sensitive to changes in discount rates. For our U.S. plans, we measured our PBOs using a discount rate of 5.4% at December 28, 2013. This discount rate was determined with the assistance of our independent actuary. The primary basis for our discount rate determination is a model that consists of a hypothetical portfolio of ten or more corporate debt instruments rated Aa or higher by Moody's or S&P with cash flows that mirror our expected benefit payment cash flows under the plans. We exclude from the model those corporate debt instruments flagged by Moody's or S&P for a potential downgrade (if the potential downgrade would result in a rating below Aa by both Moody's and S&P) and bonds with yields that were two standard deviations or more above the mean. In considering possible bond portfolios, the model allows the bond cash flows for a particular year to exceed the expected benefit cash flows for that year. Such excesses are assumed to be reinvested at appropriate one-year forward rates and used to meet the benefit payment cash flows in a future year. The weighted-average yield of this hypothetical portfolio was used to arrive at an appropriate discount rate. We also ensure that changes in the discount rate as compared to the prior year are consistent with the overall change in prevailing market rates and make adjustments as necessary. A 50 basis-point increase in this discount rate would have decreased our U.S. plans' PBOs by approximately $70 million at our measurement date. Conversely, a 50 basis-point decrease in this discount rate would have increased our U.S. plans' PBOs by approximately $79 million at our measurement date.

The pension expense we will record in 2014 is also impacted by the discount rate we selected at our measurement date. We expect pension expense for our U.S. plans to decrease approximately $60 million in 2014. The decrease is primarily driven by a decrease in amortization of net loss due to lower net unrecognized losses in Accumulated other comprehensive income as well as lapping pension settlement charges from 2013, including settlement charges allocated to Special Items of $10 million. Lower net unrecognized losses in Accumulated other comprehensive income are primarily a result of a higher discount rate at our 2013 measurement date. A 50 basis-point change in our discount rate assumption at our measurement date would impact our 2014 U.S. pension expense by approximately $9 million.

The assumption we make regarding our expected long-term rates of return on plan assets also impacts our pension expense. Our estimated long-term rate of return on U.S. plan assets is based upon the weighted-average of historical returns for each asset category. Our expected long-term rate of return on U.S. plan assets, for purposes of determining 2014 pension expense, at December 28, 2013 was 6.9%. We believe this rate is appropriate given the composition of our plan assets and historical market returns thereon. A one percentage-point change in our expected long-term rate of return on plan assets assumption would impact our 2014 U.S. pension expense by approximately $8 million.

A decrease in discount rates over time has largely contributed to an unrecognized pre-tax actuarial net loss of $119 million included in Accumulated other comprehensive income (loss) for the U.S. plans at December 28, 2013. For purposes of determining 2013 pension expense, we recognized $48 million of net loss in net periodic benefit cost. We will recognize approximately $17 million of such loss in 2014.

See Note 14 for further discussion of our pension plans.

Stock Options and Stock Appreciation Rights Expense

Compensation expense for stock options and stock appreciation rights ("SARs") is estimated on the grant date using a Black-Scholes option pricing model. See Note 15 for details of the risk-free interest rate, expected term, expected volatility and expected dividend yield used in valuing these awards. Additionally, we estimate pre-vesting forfeitures for purposes of determining compensation expense to be recognized. Future expense amounts for any particular quarterly or annual period could be affected by changes in our assumptions or changes in market conditions.

We have determined that it is appropriate to group our stock option and SAR awards into two homogeneous groups when estimating expected term and pre-vesting forfeitures. These groups consist of grants made primarily to restaurant-level employees under our Restaurant General Manager Stock Option Plan (the "RGM Plan") and grants made to executives under our other stock award plans. Historically, less than 10% of total options and SARs granted have been made under the RGM Plan.

Stock option and SAR grants under the RGM Plan typically cliff-vest after four years and grants made to executives under our other stock award plans typically have a graded vesting schedule and vest 25% per year over four years. We use a single weighted-average expected term for our awards that have a graded vesting schedule. We re-evaluate our expected term assumptions using historical exercise and post-vesting employment termination behavior on a regular basis. We have determined that 5 years and 6.25 years are appropriate expected terms for awards to restaurant-level employees and to executives, respectively.

Upon each significant stock award grant we re-evaluate the expected volatility, including consideration of both historical volatility of our common stock as well as implied volatility associated with our publicly traded options. We have estimated pre-vesting forfeitures based on historical data. Based on such data, we believe that approximately 50% of all awards granted under the RGM Plan will be forfeited and approximately 20% of all awards granted to above-store executives will be forfeited.

Income Taxes

At December 28, 2013, we had valuation allowances of approximately $200 million to reduce our $1.0 billion of deferred tax assets to amounts that are more likely than not to be realized. The net deferred tax assets primarily relate to temporary differences in profitable U.S. federal and state and foreign jurisdictions, net operating losses in certain foreign jurisdictions, the majority of which do not expire, and U.S. foreign tax credit carryovers that expire 10 years from inception and for which we anticipate having foreign earnings to utilize. In evaluating our ability to recover our deferred tax assets, we consider future taxable income in the various jurisdictions as well as carryforward periods and restrictions on usage. The estimation of future taxable income in these jurisdictions and our resulting ability to utilize deferred tax assets can significantly change based on future events, including our determinations as to feasibility of certain tax planning strategies. Thus, recorded valuation allowances may be subject to material future changes.

As a matter of course, we are regularly audited by federal, state and foreign tax authorities. We recognize the benefit of positions taken or expected to be taken in our tax returns in our Income Tax Provision when it is more likely than not that the position would be sustained upon examination by these tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. At December 28, 2013 we had $243 million of unrecognized tax benefits, $170 million of which, if recognized, would impact the effective tax rate. We evaluate unrecognized tax benefits, including interest thereon, on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements, which may impact our ultimate payment for such exposures.

Additionally, we have not provided deferred tax for investments in foreign subsidiaries where the carrying values for financial reporting exceed the tax basis, totaling approximately $2.6 billion at December 28, 2013, as we believe the excess is essentially permanently invested. If our intentions regarding the duration of these investments change, deferred tax may need to be provided on this excess that could materially impact the provision for income taxes.

See Note 17 for a further discussion of our income taxes.

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to financial market risks associated with interest rates, foreign currency exchange rates and commodity prices. In the normal course of business and in accordance with our policies, we manage these risks through a variety of strategies, which may include the use of financial and commodity derivative instruments to hedge our underlying exposures. Our policies prohibit the use of derivative instruments for trading purposes, and we have processes in place to monitor and control their use.

Interest Rate Risk

We have a market risk exposure to changes in interest rates, principally in the U.S. We attempt to minimize this risk and lower our overall borrowing costs on a portion of our debt through the utilization of derivative financial instruments, primarily interest rate swaps. These swaps are entered into with financial institutions and have reset dates and critical terms that match those of the underlying debt. Accordingly, any change in fair value associated with interest rate swaps is offset by the opposite impact on the related debt.

At both December 28, 2013 and December 29, 2012 a hypothetical 100 basis-point increase in short-term interest rates would result, over the following twelve-month period, in a reduction of approximately $3 million in income before income taxes. The estimated reductions are based upon the current level of variable rate debt and assume no changes in the volume or composition of that debt and include no impact from interest income related to cash and cash equivalents. In addition, the fair value of our derivative financial instruments at December 28, 2013 and December 29, 2012 would decrease approximately $7 million and $10 million, respectively, as a result of the same hypothetical 100 basis-point increase and the fair value of our Senior Unsecured Notes at December 28, 2013 and December 29, 2012 would decrease approximately $185 million and $225 million, respectively. Fair value was determined based on the present value of expected future cash flows considering the risks involved and using discount rates appropriate for the duration.

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency denominated earnings, cash flows and net investments in foreign operations and the fair value of our foreign currency denominated financial instruments. Historically, we have chosen not to hedge foreign currency risks related to our foreign currency denominated earnings and cash flows through the use of financial instruments. We attempt to minimize the exposure related to our net investments in foreign operations by financing those investments with local currency debt when practical. In addition, we attempt to minimize the exposure related to foreign currency denominated financial instruments by purchasing goods and services from third parties in local currencies when practical. Consequently, foreign currency denominated financial instruments consist primarily of intercompany short-term receivables and payables. At times, we utilize forward contracts to reduce our exposure related to these intercompany short-term receivables and payables. The notional amount and maturity dates of these contracts match those of the underlying receivables or payables such that our foreign currency exchange risk related to these instruments is minimized.

The combined Operating Profits of China, YRI and India constitute approximately 70% of our segment Operating Profit in 2013. In addition, the Company's foreign currency net asset exposure (defined as foreign currency assets less foreign currency liabilities) totaled approximately $4.2 billion as of December 28, 2013. Operating in international markets exposes the Company to movements in foreign currency exchange rates.

The Company's primary exposures result from our operations in Asia-Pacific, Europe and the Americas. For the fiscal year ended December 28, 2013 Operating Profit would have decreased approximately $155 million if all foreign currencies had uniformly weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

ITEM 8 Financial Statements and Supplementary Data

Index to Financial Information

Financial Statement Schedules

No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above-listed financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

YUM! Brands, Inc.

We have audited the accompanying consolidated balance sheets of YUM! Brands, Inc. and Subsidiaries (YUM) as of December 28, 2013 and December 29, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 28, 2013. We also have audited YUM's internal control over financial reporting as of December 28, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. YUM's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, "Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on these consolidated financial statements and an opinion on YUM's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YUM as of December 28, 2013 and December 29, 2012, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, YUM maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Louisville, Kentucky

February 18, 2014

Consolidated Statements of Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011

(in millions, except per share data)	2013	2012	2011
Revenues			
Company sales	$ 11,184	$ 11,833	$ 10,893
Franchise and license fees and income	1,900	1,800	1,733
Total revenues	13,084	13,633	12,626
Costs and Expenses, Net			
Company restaurants			
Food and paper	3,669	3,874	3,633
Payroll and employee benefits	2,499	2,620	2,418
Occupancy and other operating expenses	3,333	3,358	3,089
Company restaurant expenses	9,501	9,852	9,140
General and administrative expenses	1,412	1,510	1,372
Franchise and license expenses	158	133	145
Closures and impairment (income) expenses	331	37	135
Refranchising (gain) loss	(100)	(78)	72
Other (income) expense	(16)	(115)	(53)
Total costs and expenses, net	11,286	11,339	10,811
Operating Profit	1,798	2,294	1,815
Interest expense, net	247	149	156
Income Before Income Taxes	1,551	2,145	1,659
Income tax provision	487	537	324
Net Income – including noncontrolling interests	1,064	1,608	1,335
Net Income (loss) – noncontrolling interests	(27)	11	16
NET INCOME – YUM! BRANDS, INC.	**$ 1,091**	**$ 1,597**	**$ 1,319**
BASIC EARNINGS PER COMMON SHARE	**$ 2.41**	**$ 3.46**	**$ 2.81**
DILUTED EARNINGS PER COMMON SHARE	**$ 2.36**	**$ 3.38**	**$ 2.74**
DIVIDENDS DECLARED PER COMMON SHARE	**$ 1.41**	**$ 1.24**	**$ 1.07**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011

(in millions)	2013	2012	2011
Net income – including noncontrolling interests	$ 1,064	$ 1,608	$ 1,335
Other comprehensive income (loss), net of tax:			
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature	10	27	88
Tax (expense) benefit	(2)	(3)	3
Reclassifications of currency translation adjustments into Net Income	—	3	—
Tax expense (benefit)	—	—	—
Net unrealized gains (losses) arising during the year on pension and post-retirement plans	221	(19)	(205)
Tax (expense) benefit	(85)	9	77
Reclassification of pension and post-retirement losses to Net Income	83	156	34
Tax expense (benefit)	(30)	(57)	(12)
Net unrealized gains (losses) on derivative instruments arising during the year	6	(6)	(3)
Tax (expense) benefit	(2)	2	1
Reclassification of derivative (gains) losses into Net Income	(2)	6	4
Tax expense (benefit)	1	(2)	(1)
Other comprehensive income (loss), net of tax	200	116	(14)
Comprehensive Income – including noncontrolling interests	1,264	1,724	1,321
Comprehensive Income (loss) – noncontrolling interests	(23)	12	22
COMPREHENSIVE INCOME – YUM! BRANDS, INC.	**$ 1,287**	**$ 1,712**	**$ 1,299**

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011

(in millions)	2013	2012	2011
Cash Flows – Operating Activities			
Net Income – including noncontrolling interests	$ 1,064	$ 1,608	$ 1,335
Depreciation and amortization	721	665	637
Closures and impairment (income) expenses	331	37	135
Refranchising (gain) loss	(100)	(78)	72
Contributions to defined benefit pension plans	(23)	(119)	(63)
Pension settlement charges	30	89	—
Losses and other costs related to the extinguishment of debt	120	—	—
Gain upon acquisition of Little Sheep	—	(74)	—
Deferred income taxes	(24)	28	(137)
Equity income from investments in unconsolidated affiliates	(26)	(47)	(47)
Distributions of income received from unconsolidated affiliates	43	41	39
Excess tax benefit from share-based compensation	(44)	(98)	(66)
Share-based compensation expense	49	50	59
Changes in accounts and notes receivable	(12)	(18)	(39)
Changes in inventories	18	9	(75)
Changes in prepaid expenses and other current assets	(21)	(14)	(25)
Changes in accounts payable and other current liabilities	(102)	9	144
Changes in income taxes payable	14	126	109
Other, net	101	80	92
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,139**	**2,294**	**2,170**
Cash Flows – Investing Activities			
Capital spending	(1,049)	(1,099)	(940)
Proceeds from refranchising of restaurants	260	364	246
Acquisitions	(99)	(543)	(81)
Changes in restricted cash	—	300	(300)
Other, net	2	(27)	69
NET CASH USED IN INVESTING ACTIVITIES	**(886)**	**(1,005)**	**(1,006)**
Cash Flows – Financing Activities			
Proceeds from long-term debt	599	—	404
Repayments of long-term debt	(666)	(282)	(666)
Revolving credit facilities, three months or less, net	—	—	—
Short-term borrowings, by original maturity			
More than three months – proceeds	56	—	—
More than three months – payments	(56)	—	—
Three months or less, net	—	—	—
Repurchase shares of Common Stock	(770)	(965)	(752)
Excess tax benefit from share-based compensation	44	98	66
Employee stock option proceeds	37	62	59
Dividends paid on Common Stock	(615)	(544)	(481)
Other, net	(80)	(85)	(43)
NET CASH USED IN FINANCING ACTIVITIES	**(1,451)**	**(1,716)**	**(1,413)**
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**(5)**	**5**	**21**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(203)**	**(422)**	**(228)**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	**776**	**1,198**	**1,426**
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 573**	**$ 776**	**$ 1,198**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

YUM! BRANDS, INC. AND SUBSIDIARIES

DECEMBER 28, 2013 AND DECEMBER 29, 2012

(in millions)		2013		2012
ASSETS				
Current Assets				
Cash and cash equivalents	$	573	$	776
Accounts and notes receivable, net		319		301
Inventories		294		313
Prepaid expenses and other current assets		286		272
Deferred income taxes		123		127
Advertising cooperative assets, restricted		96		136
Total Current Assets		1,691		1,925
Property, plant and equipment, net		4,459		4,250
Goodwill		889		1,034
Intangible assets, net		638		690
Investments in unconsolidated affiliates		53		72
Other assets		566		575
Deferred income taxes		399		467
TOTAL ASSETS	**$**	**8,695**	**$**	**9,013**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	$	1,929	$	2,036
Income taxes payable		169		97
Short-term borrowings		71		10
Advertising cooperative liabilities		96		136
Total Current Liabilities		2,265		2,279
Long-term debt		2,918		2,932
Other liabilities and deferred credits		1,244		1,490
Total Liabilities		6,427		6,701
Redeemable noncontrolling interest		39		59
Shareholders' Equity				
Common Stock, no par value, 750 shares authorized; 443 shares and 451 shares issued in 2013 and 2012, respectively		—		—
Retained earnings		2,102		2,286
Accumulated other comprehensive income (loss)		64		(132)
Total Shareholders' Equity – YUM! Brands, Inc.		2,166		2,154
Noncontrolling interests		63		99
Total Shareholders' Equity		2,229		2,253
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY	**$**	**8,695**	**$**	**9,013**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012 AND DECEMBER 31, 2011

	Yum! Brands, Inc.						
	Issued Common Stock						
(in millions)	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity	Redeemable Noncontrolling Interest
Balance at December 25, 2010	469	$ 86	$ 1,717	$ (227)	$ 93	$ 1,669	$ —
Net Income (loss)			1,319		16	1,335	
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $3 million)				85	6	91	
Pension and post-retirement benefit plans (net of tax impact of $65 million)				(106)		(106)	
Net unrealized gain on derivative instruments (net of tax impact of less than $1 million)				1		1	
Comprehensive Income (loss)						1,321	—
Dividends declared			(501)		(22)	(523)	
Repurchase of shares of Common Stock	(14)	(250)	(483)			(733)	
Employee stock option and SARs exercises (includes tax impact of $71 million)	5	119				119	
Compensation-related events (includes tax impact of $5 million)	—	63				63	
Balance at December 31, 2011	460	$ 18	$ 2,052	$ (247)	$ 93	$ 1,916	$ —
Net Income (loss)			1,597		11	1,608	
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $3 million)				23	1	24	
Reclassification of translation adjustments into income				3		3	
Pension and post-retirement benefit plans (net of tax impact of $48 million)				89		89	
Comprehensive Income (loss)						1,724	—
Noncontrolling Interest – Little Sheep acquisition					16	16	59
Dividends declared			(569)		(22)	(591)	
Repurchase of shares of Common Stock	(15)	(191)	(794)			(985)	
Employee stock option and SARs exercises (includes tax impact of $89 million)	6	111				111	
Compensation-related events (includes tax impact of $11 million)		62				62	
Balance at December 29, 2012	451	$ —	$ 2,286	$ (132)	$ 99	$ 2,253	$ 59
Net Income (loss)			1,091		(5)	1,086	(22)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of $2 million)				4	2	6	2
Pension and post-retirement benefit plans (net of tax impact of $115 million)				189		189	
Net unrealized gain on derivative instruments (net of tax impact of $1 million)				3		3	
Comprehensive Income (loss)						1,284	(20)
Dividends declared			(635)		(18)	(653)	
Acquisition of Little Sheep store-level noncontrolling interests					(15)	(15)	
Repurchase of shares of Common Stock	(11)	(110)	(640)			(750)	
Employee stock option and SARs exercises (includes tax impact of $42 million)	3	49				49	
Compensation-related events (includes tax impact of $8 million)		61				61	
BALANCE AT DECEMBER 28, 2013	**443**	**$ —**	**$ 2,102**	**$ 64**	**$ 63**	**$ 2,229**	**$ 39**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Tabular amounts in millions, except share data)

NOTE 1 Description of Business

YUM! Brands, Inc. and Subsidiaries (collectively referred to herein as "YUM" or the "Company") comprise primarily the worldwide operations of its KFC, Pizza Hut and Taco Bell (collectively the "Concepts"). YUM has over 40,000 units of which 55% are located outside the U.S. in more than 125 countries and territories. YUM was created as an independent, publicly-owned company on October 6, 1997 via a tax-free distribution by our former parent, PepsiCo, Inc., of our Common Stock to its shareholders. References to YUM throughout these Consolidated Financial Statements are made using the first person notations of "we," "us" or "our."

Through our widely-recognized Concepts, we develop, operate, franchise and license a system of both traditional and non-traditional quick service restaurants. Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients as well as unique recipes and special seasonings to provide appealing, convenient, tasty and attractive food at competitive prices. Our traditional restaurants feature dine-in, carryout and, in some instances, drive-thru or delivery service. Non-traditional units, which are principally licensed outlets, include express units and kiosks which have a more limited menu and operate in non-traditional locations like malls, airports, gasoline service stations, train stations, subways, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient. We also operate multibrand units, where two or more of our Concepts are operated in a single unit.

As of and through December 28, 2013, YUM consisted of six operating segments: YUM Restaurants China ("China" or "China Division"), YUM Restaurants International ("YRI" or "International Division"), KFC U.S., Pizza Hut U.S., Taco Bell U.S., 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. For financial reporting purposes, management considers the three U.S. operating segments to be similar and, therefore, has aggregated them into a single reportable operating segment ("U.S."). As a result of changes to our management reporting structure, in 2012 we began reporting information for our India business as a standalone reporting segment separated from YRI. While our consolidated results are not impacted, our historical segment information has been restated to be consistent with the current period presentation. In December 2011 we sold our Long John Silver's ("LJS") and A&W All American Food Restaurants ("A&W") brands to key franchise leaders and strategic investors in separate transactions. The results for these businesses through the sale date are included in the Company's results for 2011.

In the first quarter of 2014, we will combine our YRI and U.S. businesses and begin reporting segment information for three global divisions: KFC, Pizza Hut and Taco Bell. China and India will remain separate reporting segments due to their strategic importance and growth potential. This new structure is designed to drive greater global brand focus, enabling us to more effectively share know-how and accelerate growth. While our consolidated results will not be impacted, we will restate our historical segment information during 2014 for consistent presentation.

NOTE 2 Summary of Significant Accounting Policies

Our preparation of the accompanying Consolidated Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America ("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.

Principles of Consolidation and Basis of Preparation. Intercompany accounts and transactions have been eliminated in consolidation. We consolidate entities in which we have a controlling financial interest, the usual condition of which is ownership of a majority voting interest. We also consider for consolidation an entity, in which we have certain interests, where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity ("VIE"), is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it.

Our most significant variable interests are in entities that operate restaurants under our Concepts' franchise and license arrangements. We do not generally have an equity interest in our franchisee or licensee businesses with the exception of certain entities in China as discussed below. Additionally, we do not typically provide significant financial support such as loans or guarantees to our franchisees and licensees. However, we do have variable interests in certain franchisees through real estate lease arrangements with them to which we are a party. At the end of 2013, YUM has future lease payments due from franchisees, on a nominal basis, of approximately $400 million. As our franchise and license arrangements provide our franchisee and licensee entities the power to direct the activities that most significantly impact their economic performance, we do not consider ourselves the primary beneficiary of any such entity that might otherwise be considered a VIE.

See Note 19 for additional information on an entity that operates a franchise lending program that is a VIE in which we have a variable interest but for which we are not the primary beneficiary and thus do not consolidate.

Certain investments in entities that operate KFCs in China are accounted for by the equity method. These entities are not VIEs and our lack of majority voting rights precludes us from controlling these affiliates. Thus, we do not consolidate these affiliates, instead accounting for them under the equity method. Our share of the net income or loss of those unconsolidated affiliates is included in Other (income) expense. On February 1, 2012, we acquired an additional 66% interest in Little Sheep Group Limited ("Little Sheep"), increasing our ownership to 93%. As a result, we began consolidating this business, which was previously accounted for using the equity method. See Note 4 for a further description of the accounting upon acquisition of additional interest in Little Sheep. A meat processing entity affiliated with our Little Sheep business is accounted for by the equity method.

We report Net income attributable to non-controlling interests, which includes the minority shareholders of the entities that operate the KFCs in Beijing and Shanghai, China and the minority shareholders of Little

Form 10-K

Sheep, separately on the face of our Consolidated Statements of Income. The portion of equity not attributable to the Company for KFC Beijing and KFC Shanghai is reported within equity, separately from the Company's equity on the Consolidated Balance Sheets. The shareholder that owns the remaining 7% ownership interest in Little Sheep holds an option that, if exercised, requires us to redeem their non-controlling interest. Redemption may occur any time after the third anniversary of the acquisition. This Redeemable non-controlling interest is classified outside permanent equity and recorded in the Consolidated Balance Sheet as the greater of the initial carrying amount adjusted for the non-controlling interest's share of net income (loss), or its redemption value.

We participate in various advertising cooperatives with our franchisees and licensees established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising cooperatives are required for both Company-owned and franchise restaurants and are generally based on a percentage of restaurant sales. We maintain certain variable interests in these cooperatives. As the cooperatives are required to spend all funds collected on advertising and promotional programs, total equity at risk is not sufficient to permit the cooperatives to finance their activities without additional subordinated financial support. Therefore, these cooperatives are VIEs. As a result of our voting rights, we consolidate certain of these cooperatives for which we are the primary beneficiary. The Advertising cooperatives assets, consisting primarily of cash received from the Company and franchisees and accounts receivable from franchisees, can only be used to settle obligations of the respective cooperative. The Advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs for which creditors do not have recourse to the general credit of the primary beneficiary. Therefore, we report all assets and liabilities of these advertising cooperatives that we consolidate as Advertising cooperative assets, restricted and Advertising cooperative liabilities in the Consolidated Balance Sheet. As the contributions to these cooperatives are designated and segregated for advertising, we act as an agent for the franchisees and licensees with regard to these contributions. Thus, we do not reflect franchisee and licensee contributions to these cooperatives in our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Fiscal Year. 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.

Fiscal year 2011 included 53 weeks for our U.S. businesses and a portion of our YRI business. The 53rd week in 2011 added $91 million to total revenues, $15 million to Restaurant profit and $25 million to Operating Profit in our 2011 Consolidated Statement of Income. The $25 million benefit was offset throughout 2011 by investments, including franchise development incentives, as well as higher-than-normal spending, such as restaurant closures in the U.S. and YRI.

Foreign Currency. The functional currency of our foreign entities is the currency of the primary economic environment in which the entity operates. Functional currency determinations are made based upon a number of economic factors, including but not limited to cash flows and financing transactions. The operations, assets and liabilities of our entities outside the United States are initially measured using the functional currency of that entity. Income and expense accounts for our operations of these foreign entities are then translated into U.S. dollars at the average exchange rates prevailing during the period. Assets and liabilities of these foreign entities are then translated into U.S. dollars at exchange rates in effect at the balance sheet date. As of December 28, 2013, net cumulative translation adjustment gains of $170 million are recorded in Accumulated other comprehensive income (loss) in the Consolidated Balance Sheet.

As we manage and share resources at either the country level for all of our brands in a country or, for some countries in which we have more significant operations, at the individual brand level within the country, cumulative translation adjustments are recorded and tracked at the foreign-entity level that represents either our entire operations within a country or the operations of our individual brands within that country. Translation adjustments recorded in Accumulated other comprehensive income (loss) are subsequently recognized as income or expense generally only upon sale or upon complete or substantially complete liquidation of the related investment in a foreign entity. For purposes of determining whether a sale or complete or substantially complete liquidation of an investment in a foreign entity has occurred, we consider those same foreign entities for which we record and track cumulative translation adjustments. Restaurant closures and refranchising transactions during the periods presented constituted disposals or sales of assets within our foreign entities and thus did not result in any translation adjustments being recognized as income or expense. The adoption of 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,* in 2014 is not anticipated to have a significant impact on our accounting for foreign currency matters.

Gains and losses arising from the impact of foreign currency exchange rate fluctuations on transactions in foreign currency are included in Other (income) expense in our Consolidated Statement of Income.

Reclassifications. We have reclassified certain items in the Consolidated Financial Statements for prior periods to be comparable with the classification for the fiscal year ended December 28, 2013. These reclassifications had no effect on previously reported Net Income – YUM! Brands, Inc.

Franchise and License Operations. We execute franchise or license agreements for each unit operated by third parties which set out the terms of our arrangement with the franchisee or licensee. Our franchise and license agreements typically require the franchisee or licensee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and their payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The internal costs we incur to provide support services to our franchisees and licensees are charged to General and Administrative ("G&A") expenses as incurred. Certain direct costs of our franchise and license operations are charged to franchise and license expenses. These costs include provisions for estimated uncollectible fees, rent or depreciation expense associated with restaurants we lease or sublease to franchisees, franchise and license marketing funding, amortization expense for franchise-related intangible assets and certain other direct incremental franchise and license support costs.

Revenue Recognition. Revenues from Company-owned restaurants are recognized when payment is tendered at the time of sale. The Company presents sales net of sales-related taxes. Income from our franchisees and licensees includes initial fees, continuing fees, renewal fees and rental income from restaurants we lease or sublease to them. We recognize initial fees received from a franchisee or licensee as revenue when we have performed substantially all initial services required by the franchise or license agreement, which is generally upon the opening of a store. We recognize continuing fees, which are based upon a percentage of franchisee and licensee sales and rental income as earned. We recognize renewal fees when a renewal agreement with a franchisee or licensee becomes effective. We present initial fees collected upon the sale of a restaurant to a franchisee in Refranchising (gain) loss.

While the majority of our franchise agreements are entered into with terms and conditions consistent with those at a prevailing market rate, there are instances when we enter into franchise agreements with terms that are not at market rates (for example, below-market continuing fees) for a specified period of time. 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) and amortize that amount into Franchise and license fees and income over the period such terms are in effect. The value of terms that are not considered to be at market within franchise agreements is estimated based upon the difference between cash expected to be received under the franchise agreement and cash that would have been expected to be received under a franchise agreement with terms substantially consistent with market.

Direct Marketing Costs. We charge direct marketing costs to expense ratably in relation to revenues over the year in which incurred and, in the case of advertising production costs, in the year the advertisement is first shown. Deferred direct marketing costs, which are classified as prepaid expenses, consist of media and related advertising production costs which will generally be used for the first time in the next fiscal year and have historically not been significant. To the extent we participate in advertising cooperatives, we expense our contributions as incurred which are generally based on a percentage of sales. Our advertising expenses were $607 million, $608 million and $593 million in 2013, 2012 and 2011, respectively. We report substantially all of our direct marketing costs in Occupancy and other operating expenses.

Research and Development Expenses. Research and development expenses, which we expense as incurred, are reported in G&A expenses. Research and development expenses were $31 million, $30 million and $34 million in 2013, 2012 and 2011, respectively.

Share-Based Employee Compensation. We recognize all share-based payments to employees, including grants of employee stock options and stock appreciation rights ("SARs"), in the Consolidated Financial Statements as compensation cost over the service period based on their fair value on the date of grant. This compensation cost is recognized over the service period on a straight-line basis for awards that actually vest. We present this compensation cost consistent with the other compensation costs for the employee recipient in either Payroll and employee benefits or G&A expenses. See Note 15 for further discussion of our share-based compensation plans.

Legal Costs. Settlement costs are accrued when they are deemed probable and reasonably estimable. Anticipated legal fees related to self-insured workers' compensation, employment practices liability, general liability, automobile liability, product liability and property losses (collectively, "property and casualty losses") are accrued when deemed probable and reasonably estimable. Legal fees not related to self-insured property and casualty losses are recognized as incurred. See Note 19 for further discussion of our legal proceedings.

Impairment or Disposal of Property, Plant and Equipment. Property, plant and equipment ("PP&E") is tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The assets are not recoverable if their carrying value is less than the undiscounted cash flows we expect to generate from such assets. If the assets are not deemed to be recoverable, impairment is measured based on the excess of their carrying value over their fair value.

For purposes of impairment testing for our restaurants, we have concluded that an individual restaurant is the lowest level of independent cash flows unless our intent is to refranchise restaurants as a group. We review our long-lived assets of such individual restaurants (primarily PP&E and allocated intangible assets subject to amortization) semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We use two consecutive years of operating losses as our primary indicator of potential impairment for our semi-annual impairment testing of these restaurant assets. We evaluate the recoverability of these restaurant assets by comparing the estimated undiscounted future cash flows, which are based on our entity-specific assumptions, to the carrying value of such assets. For restaurant assets that are not deemed to be recoverable, we write-down an impaired restaurant to its estimated fair value, which becomes its new cost basis. Fair value is an estimate of the price a franchisee would pay for the restaurant and its related assets and is determined by discounting the estimated future after-tax cash flows of the restaurant, which include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make such as sales growth and margin improvement. The discount rate used in the fair value calculation is our estimate of the required rate of return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

In executing our refranchising initiatives, we most often offer groups of restaurants for sale. When we believe a restaurant or groups of restaurants will be refranchised for a price less than their carrying value, but do not believe the restaurant(s) have met the criteria to be classified as held for sale, we review the restaurants for impairment. We evaluate the recoverability of these restaurant assets at the date it is considered more likely than not that they will be refranchised by comparing estimated sales proceeds plus holding period cash flows, if any, to the carrying value of the restaurant or group of restaurants. For restaurant assets that are not deemed to be recoverable, we recognize impairment for any excess of carrying value over the fair value of the restaurants, which is based on the expected net sales proceeds. To the extent ongoing agreements to be entered into with the franchisee simultaneous with the refranchising are expected to contain terms, such as royalty rates, not at prevailing market rates, we consider the off-market terms in our impairment evaluation. We recognize any such impairment charges in Refranchising (gain) loss. We classify restaurants as held for sale and suspend depreciation and amortization when (a) we make a decision to refranchise; (b) the restaurants can be immediately removed from operations; (c) we have begun an active program to locate a buyer; (d) the restaurant is being actively marketed at a reasonable market price; (e) significant changes to the plan of sale are not likely; and (f) the sale is probable within one year. Restaurants classified as held for sale are recorded at the lower of their carrying value or fair value less cost to sell. We recognize estimated losses on restaurants that are classified as held for sale in Refranchising (gain) loss.

Refranchising (gain) loss includes the gains or losses from the sales of our restaurants to new and existing franchisees, including impairment charges discussed above, and the related initial franchise fees. We recognize gains on restaurant refranchisings when the sale transaction closes, the franchisee has a minimum amount of the purchase price in at-risk equity, and we are satisfied that the franchisee can meet its financial obligations. If the criteria for gain recognition are not met, we defer the gain to the extent we have a remaining financial exposure in connection with the sales transaction. Deferred gains are recognized when the gain recognition criteria are met or as our financial exposure is reduced. When we make a decision to retain a store, or group of stores, previously held for sale, we revalue the store at the lower of its (a) net book value at our original sale decision date less normal depreciation and amortization that would have been recorded during the period held for sale or (b) its current fair value. This value becomes the store's new cost basis. We record any resulting difference between the store's carrying amount and its new cost basis to Closure and impairment (income) expense.

When we decide to close a restaurant, it is reviewed for impairment and depreciable lives are adjusted based on the expected disposal date. Other costs incurred when closing a restaurant such as costs of disposing of the assets as well as other facility-related expenses from previously closed stores are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, if any. Any costs recorded upon store closure as well as any subsequent adjustments to liabilities for remaining lease obligations as a result of lease termination or changes in estimates of sublease income are recorded in Closures and impairment (income) expenses. To the extent we sell assets, primarily land, associated with a closed store, any gain or loss upon that sale is also recorded in Closures and impairment (income) expenses.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, sublease income and refranchising proceeds. Accordingly, actual results could vary significantly from our estimates.

Impairment of Investments in Unconsolidated Affiliates. We record impairment charges related to an investment in an unconsolidated affiliate whenever events or circumstances indicate that a decrease in the fair value of an investment has occurred which is other than temporary. In addition, we evaluate our investments in unconsolidated affiliates for impairment when they have experienced two consecutive years of operating losses. We recorded no impairment associated with our investments in unconsolidated affiliates during 2013, 2012 and 2011.

Guarantees. We recognize, at inception of a guarantee, a liability for the fair value of certain obligations undertaken. The majority of our guarantees are issued as a result of assigning our interest in obligations under operating leases as a condition to the refranchising of certain Company restaurants. We recognize a liability for the fair value of such lease guarantees upon refranchising and upon subsequent renewals of such leases when we remain contingently liable. The related expense and any subsequent changes in the guarantees are included in Refranchising (gain) loss. The related expense and subsequent changes in the guarantees for other franchise support guarantees not associated with a refranchising transaction are included in Franchise and license expense.

Income Taxes. We record deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Additionally, in determining the need for recording a valuation allowance against the carrying amount of deferred tax assets, we consider the amount of taxable income and periods over which it must be earned, actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income. Where we determine that it is more likely than not that all or a portion of an asset will not be realized, we record a valuation allowance.

We recognize the benefit of positions taken or expected to be taken in our tax returns in our Income tax provision when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. We evaluate these amounts on a quarterly basis to insure that they have been appropriately adjusted for audit settlements and other events we believe may impact the outcome. Changes in judgment that result in subsequent recognition, derecognition or a change in measurement of a tax position taken in a prior annual period (including any related interest and penalties) are recognized as a discrete item in the interim period in which the change occurs. We recognize accrued interest and penalties related to unrecognized tax benefits as components of our Income tax provision.

We do not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of our investments in foreign subsidiaries to the extent that the basis difference results from earnings that meet the indefinite reversal criteria. This criteria is met if the foreign subsidiary has invested, or will invest, the undistributed earnings indefinitely. The decision as to the amount of undistributed earnings that we intend to maintain in non-U.S. subsidiaries considers items including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans and expected cash requirements in the United States.

See Note 17 for a further discussion of our income taxes.

Fair Value Measurements. Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities we record or disclose at fair value, we determine fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, we determine fair value based upon the quoted market price of similar assets or the present value of expected future cash flows considering the risks involved, including counterparty performance risk if appropriate, and using discount rates appropriate for the duration. The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1	Inputs based upon quoted prices in active markets for identical assets.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3	Inputs that are unobservable for the asset.

Cash and Cash Equivalents. Cash equivalents represent funds we have temporarily invested (with original maturities not exceeding three months), including short-term, highly liquid debt securities. Cash and overdraft balances that meet the criteria for right to offset are presented net on our Consolidated Balance Sheet.

Receivables. The Company's receivables are primarily generated from ongoing business relationships with our franchisees and licensees as a result of franchise, license 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 Consolidated Balance Sheets. Our provision for uncollectible franchise and licensee receivable balances is based upon pre-defined aging criteria or upon the occurrence of other events that indicate that we may not collect the balance due. Additionally, we monitor the financial condition of our franchisees and licensees and record provisions for estimated losses on receivables when we believe it probable that our franchisees or licensees will be unable to make their required payments. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. We recorded $2 million in net provisions, $1 million in net recoveries and $7 million in net provisions within Franchise and license expenses in 2013, 2012 and 2011, respectively, related to uncollectible franchise and license trade receivables. Trade receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts.

	2013	2012
Accounts and notes receivable	$ 330	$ 313
Allowance for doubtful accounts	(11)	(12)
Accounts and notes receivable, net	$ 319	$ 301

Our financing receivables primarily consist of notes receivables and direct financing leases with franchisees which we enter into from time to time. As these receivables primarily relate to our ongoing business agreements with franchisees and licensees, we consider such receivables to have similar risk characteristics and evaluate them as one collective portfolio segment and class for determining the allowance for doubtful accounts. We monitor the financial condition of our franchisees and licensees and record provisions for estimated losses on receivables when we believe it is probable that our franchisees or licensees will be unable to make their required payments. Balances of notes receivable and direct financing leases due within one year are included in Accounts and notes receivable while amounts due beyond one year are included in Other assets. Amounts included in Other assets totaled $22 million (net of an allowance of $1 million) and $18 million (net of an allowance of $3 million) at December 28, 2013 and December 29, 2012, respectively. Financing receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Interest income recorded on financing receivables has traditionally been insignificant.

Inventories. We value our inventories at the lower of cost (computed on the first-in, first-out method) or market.

Property, Plant and Equipment. We state PP&E at cost less accumulated depreciation and amortization. We calculate depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 5 to 25 years for buildings and improvements, 3 to 20 years for machinery and equipment and 3 to 7 years for capitalized software costs. As discussed above, we suspend depreciation and amortization on assets related to restaurants that are held for sale.

Leases and Leasehold Improvements. The Company leases land, buildings or both for nearly 7,300 of its restaurants worldwide. The length of our lease terms, which vary by country and often include renewal options, are an important factor in determining the appropriate accounting for leases including the initial classification of the lease as capital or operating and the timing of recognition of rent expense over the duration of the lease. We include renewal option periods in determining the term of our leases when failure to renew the lease would impose a penalty on the Company in such an amount that a renewal appears to be reasonably assured at the inception of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might be impaired if we choose not to continue the use of the leased property. Leasehold improvements, which are a component of buildings and improvements described above, are amortized over the shorter of their estimated useful lives or the lease term. We generally do not receive leasehold improvement incentives upon opening a store that is subject to a lease.

We expense rent associated with leased land or buildings while a restaurant is being constructed whether rent is paid or we are subject to a rent holiday. Additionally, certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the lease term. For leases with fixed escalating payments and/or rent holidays, we record rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (e.g. when Company sales occur).

Internal Development Costs and Abandoned Site Costs. We capitalize direct costs associated with the site acquisition and construction of a Company unit on that site, including direct internal payroll and payroll-related costs. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized. If we subsequently make a determination that it is probable a site for which internal development costs have been capitalized will not be acquired or developed, any previously capitalized internal development costs are expensed and included in G&A expenses.

Goodwill and Intangible Assets. From time to time, the Company acquires restaurants from one of our Concept's franchisees or acquires another business. Goodwill from these acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. Goodwill is not amortized and has been assigned to reporting units for purposes of impairment testing. Our reporting units are our operating segments in the U.S. (see Note 18), our YRI business units (which are aligned based on geography) and individual brands in our India and China Divisions. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the combination even though other assets or liabilities acquired may not be assigned to that reporting unit. The amount of goodwill assigned to a reporting unit that has not been assigned any of the other assets acquired or liabilities assumed is determined by comparing the fair value of the reporting unit before the acquisition to the fair value of the reporting unit after the acquisition.

We evaluate goodwill for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairment might exist. We have selected the beginning of our fourth quarter as the date on which to perform our ongoing annual impairment test for goodwill. We may elect to perform a qualitative assessment for our reporting units to determine whether it is more likely than not that the fair value of the reporting unit is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, then the reporting unit's fair value is compared to its carrying value. Fair value is the price a willing buyer would pay for a reporting unit, and is generally estimated using discounted expected future after-tax cash flows from Company-owned restaurant operations and franchise royalties. The discount rate is our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing a business from us that constitutes a reporting unit. We believe the discount rate is commensurate with the risks and uncertainty inherent in the forecasted cash flows. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value.

If we record goodwill upon acquisition of a restaurant(s) from a franchisee and such restaurant(s) is then sold within two years of acquisition, the goodwill associated with the acquired restaurant(s) is written off in its entirety. If the restaurant is refranchised two years or more subsequent to its acquisition, we include goodwill in the carrying amount of the restaurants disposed of based on the relative fair values of the portion of the reporting unit disposed of in the refranchising and the portion of the reporting unit that will be retained. The fair value of the portion of the reporting unit disposed of in a refranchising is determined by reference to the discounted value of the future cash flows expected to be generated by the restaurant and retained by the franchisee, which includes a deduction for the anticipated, future royalties the franchisee will pay us associated with the franchise agreement entered into simultaneously with the refranchising transition. The fair value of the reporting unit retained is based on the price a willing buyer would pay for the reporting unit and includes the value of franchise agreements. Appropriate adjustments are made if a franchise agreement includes terms that are determined to not be at prevailing market rates. As such, the fair value of the reporting unit retained can include expected cash flows from future royalties from those restaurants currently being refranchised, future royalties from existing franchise businesses and company restaurant operations. As a result, the percentage of a reporting unit's goodwill that will be written off in a refranchising transaction will be less than the percentage of the reporting unit's Company-owned restaurants that are refranchised in that transaction and goodwill can be allocated to a reporting unit with only franchise restaurants.

We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Intangible assets that are deemed to have a definite life are generally amortized on a straight-line basis to their residual value.

We evaluate our indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. We perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. We may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is greater than its carrying value. If a qualitative assessment is not performed, or if as a result of a qualitative assessment it is not more likely than not that the fair value of an indefinite-lived intangible asset exceeds its carrying value, then the asset's fair value is compared to its carrying value. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future after-tax cash flows associated with the intangible asset.

Our definite-lived intangible assets that are not allocated to an individual restaurant are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed not recoverable on a undiscounted basis is written down to its estimated fair value, which is our estimate of the price a willing buyer would pay for the intangible asset based on discounted expected future after-tax cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the definite-lived intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Derivative Financial Instruments. We use derivative instruments primarily to hedge interest rate and foreign currency risks. These derivative contracts are entered into with financial institutions. We do not use derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

We record all derivative instruments on our Consolidated Balance Sheet at fair value. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in the results of operations. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the gain or loss on the derivative instrument is reported in the foreign currency translation component of other comprehensive income (loss). Any ineffective portion of the gain or loss on the derivative instrument for a cash flow hedge or net investment hedge is recorded in the results of operations immediately. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the results of operations immediately. See Note 12 for a discussion of our use of derivative instruments, management of credit risk inherent in derivative instruments and fair value information.

Common Stock Share Repurchases. From time to time, we repurchase shares of our Common Stock under share repurchase programs authorized by our Board of Directors. Shares repurchased constitute authorized, but unissued shares under the North Carolina laws under which we are incorporated. Additionally, our Common Stock has no par or stated value. Accordingly, we record the full value of share repurchases, upon the trade date, against Common Stock on our Consolidated Balance Sheet except when to do so would result in a negative balance in such Common Stock account. In such instances, on a period basis, we record the cost of any further share repurchases as a reduction in retained earnings. Due to the large number of share repurchases and the increase in the market value of our stock over the past several years, our Common Stock balance is frequently zero at the end of any period. Accordingly, $640 million, $794 million and $483 million in share repurchases were recorded as a reduction in Retained Earnings in 2013, 2012 and 2011, respectively. See Note 16 for additional information.

Pension and Post-retirement Medical Benefits. We measure and recognize the overfunded or underfunded status of our pension and post-retirement plans as an asset or liability in our Consolidated Balance Sheet as of our fiscal year end. The funded status represents the difference between the projected benefit obligations and the fair value of plan assets, which is calculated on a plan-by-plan basis. The projected benefit obligation and related funded status are determined using assumptions as of the end of each year. The projected benefit obligation is the present value of benefits earned to date by plan participants, including the effect of future salary increases, as applicable. The difference between the projected benefit obligations and the fair value of plan assets that has not previously been recognized in our Consolidated Statement of Income is recorded as a component of Accumulated other comprehensive income (loss).

The net periodic benefit costs associated with the Company's defined benefit pension and post-retirement medical plans are determined using assumptions regarding the projected benefit obligation and, for funded plans, the market-related value of plan assets as of the beginning of each year. We have elected to use a market-related value of plan assets to calculate the expected return on assets in net periodic benefit costs. We recognize differences in the fair value versus the market-related value of plan assets evenly over five years. For each individual plan we amortize into pension expense the net amounts in Accumulated other comprehensive income (loss), as adjusted for the difference between the fair value and market-related value of plan assets, to the extent that such amounts exceed 10% of the greater of a plan's projected benefit obligation or market-related value of assets, over the remaining service period of active participants in the plan or, for plans with no active participants, over the expected average life expectancy of the inactive participants in the plan. We record a curtailment when an event occurs that significantly reduces the expected years of future service or eliminates the accrual of defined benefits for the future services of a significant number of employees. We record a curtailment gain when the employees who are entitled to the benefits terminate their employment; we record a curtailment loss when it becomes probable a loss will occur.

We recognize settlement gains or losses only when we have determined that the cost of all settlements in a year will exceed the sum of the service and interest costs within an individual plan.

NOTE 3 Earnings Per Common Share ("EPS")

	2013	2012	2011
NET INCOME – YUM! BRANDS, INC.	**$ 1,091**	**$ 1,597**	**$ 1,319**
Weighted-average common shares outstanding (for basic calculation)	452	461	469
Effect of dilutive share-based employee compensation	9	12	12
WEIGHTED-AVERAGE COMMON AND DILUTIVE POTENTIAL COMMON SHARES OUTSTANDING (FOR DILUTED CALCULATION)	**461**	**473**	**481**
BASIC EPS	**$ 2.41**	**$ 3.46**	**$ 2.81**
DILUTED EPS	**$ 2.36**	**$ 3.38**	**$ 2.74**
UNEXERCISED EMPLOYEE STOCK OPTIONS AND STOCK APPRECIATION RIGHTS (IN MILLIONS) EXCLUDED FROM THE DILUTED EPS COMPUTATION[(a)]	**4.9**	**3.1**	**4.2**

(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 4 Items Affecting Comparability of Net Income and Cash Flows

Little Sheep Acquisition and Subsequent Impairment

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 Consolidated Statement of Income in 2012 and was not allocated to any segment for performance reporting purposes.

We recorded the following assets acquired and liabilities assumed upon acquisition of Little Sheep as a result of our purchase price allocation:

Current assets, including cash of $44	$	109
Property, plant and equipment		64
Goodwill		376
Intangible assets, including indefinite-lived trademark of $404		421
Other assets		35
Total assets acquired		1,005
Deferred taxes		105
Other liabilities		60
Total liabilities assumed		165
Redeemable noncontrolling interest		59
Other noncontrolling interests		16
NET ASSETS ACQUIRED	**$**	**765**

The fair values of intangible assets were determined using an income approach based on expected cash flows. The goodwill recorded resulted from the value expected to be generated from applying YUM's processes and knowledge in China, including YUM's development capabilities, to the Little Sheep business. The goodwill is not expected to be deductible for income tax purposes and has been allocated to the China operating segment.

As part of the acquisition, YUM granted an option to the shareholder that holds the remaining 7% ownership interest in Little Sheep that would require us to purchase their remaining shares owned upon exercise, which may occur any time after the third anniversary of the acquisition. This noncontrolling interest has been recorded as a Redeemable noncontrolling interest in the Consolidated Balance Sheet. The Redeemable noncontrolling interest was reported at its fair value of $59 million at the date of acquisition, which was based on the Little Sheep traded share price immediately subsequent to our offer to purchase the additional interest.

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 Consolidated Statements of Income. Since the acquisition, we have reported Little Sheep's results of operations in the appropriate line items of our 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 in Net Income (loss) – noncontrolling interests. Little Sheep reports on a one month lag, and as a result, their consolidated results were included in the China Division starting the second quarter of 2012. In 2012, the consolidation of Little Sheep increased China Division Revenues by 4% and did not have a significant impact on China Division Operating Profit versus 2011.

The purchase price paid for the additional 66% interest and the resulting purchase price allocation assumed same-store sales growth and new unit development for the brand. Little Sheep's sales were negatively impacted by a longer than expected purchase approval and ownership transition phase. Our efforts to regain sales momentum were significantly compromised in May 2013 due to negative publicity regarding quality issues with unrelated hot pot concepts in China, even though there was not an issue with the quality of Little Sheep products.

The sustained declines in sales and profits that began in May 2013 and continued through the third quarter, coupled with the anticipated time it will now take for the business to recover, resulted in a determination during the quarter ended September 7, 2013 that it is not more likely than not that the Little Sheep trademark and reporting unit fair values are in excess of their carrying values. Therefore, our Little Sheep trademark and goodwill were tested for impairment in the quarter ended September 7, 2013, prior to the annual impairment reviews performed at the beginning of the fourth quarter of each year in accordance with our accounting policy.

As a result of comparing the trademark's fair value of $345 million to its carrying value of $414 million, an impairment charge of $69 million was recorded in the quarter ended September 7, 2013. Additionally, after determining the fair value of the Little Sheep reporting unit was less than its carrying value, goodwill was written down to $162 million, resulting in an impairment charge of $222 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded a $4 million impairment charge related to restaurant-level PP&E.

These non-cash impairment charges totalling $295 million were recorded in Closures and impairment (income) expense on our Consolidated Statement of Income and were not allocated to any segment for performance reporting purposes, consistent with the classification of the $74 million gain that was recorded upon acquisition. We recorded an $18 million tax benefit associated with these impairments and allocated $19 million of the net impairment charges to Net Income (loss) - noncontrolling interests, which resulted in a net impairment charge of $258 million allocated to Net Income – YUM! Brands, Inc.

The fair values of the Little Sheep trademark and reporting unit were based on the estimated prices a willing buyer would pay. The fair value of the trademark was determined using a relief from royalty valuation approach that included future estimated sales as a significant input. The reporting unit fair value was determined using an income approach with future cash flow estimates generated by the business as a significant input. Future cash flow estimates are impacted by new unit development, sales growth and margin improvement. Both fair values incorporated a discount rate of 13% as our estimate of the required rate of return that a third-party buyer would expect to receive when purchasing the Little Sheep trademark or reporting unit.

The inputs used in determining the fair values of the Little Sheep trademark and reporting unit assumed that the business will recover to pre-acquisition average-unit sales volumes and profit levels over the next three years. At such pre-acquisition sales and profit levels, we believe that the Little Sheep restaurant-level unit economics will support the new unit development we assumed in the fair value estimations of the trademark and reporting unit. Long-term average growth assumptions subsequent to this assumed recovery include same-store-sales growth of 4% and average annual net unit growth of approximately 75 units.

Losses Related to the Extinguishment of Debt

During the fourth quarter of 2013, we completed a cash tender offer to repurchase $550 million of our Senior Unsecured Notes due either March 2018 or November 2037. This transaction resulted in $120 million of losses as a result of premiums paid and other costs, $118 million of which was classified as Interest expense, net in our Consolidated Statement of Income. The repurchase of the Senior Unsecured Notes was funded primarily by proceeds of $599 million received from the issuance of new Senior Unsecured Notes. See Note 10 for further discussion on the issuance of Senior Unsecured Notes.

Pension Settlement Charges

During the fourth quarter of 2012 and continuing through 2013, the Company allowed certain former employees with deferred vested balances in our U.S. pension plans an opportunity to voluntarily elect an early payout of their pension benefits. The majority of these payouts were funded from existing pension plan assets.

As a result of settlement payments exceeding the sum of service and interest costs within these U.S. pension plans in 2013 and 2012, pursuant to our accounting policy we recorded pre-tax settlement charges of $30 million and $89 million for the years ended December 28, 2013 and December 29, 2012, respectively, in General and administrative expenses. These amounts included settlement charges of $10 million and $84 million in the years ended December 28, 2013 and December 29, 2012, respectively, related to the programs discussed above that were not allocated for performance reporting purposes. See Note 14 for further discussion of our pension plans.

U.S. Business Transformation

As part of our plan to transform our U.S. business we took several measures in 2013, 2012 and 2011 (“the U.S. business transformation measures”). These measures included: continuation of our U.S. refranchising; G&A productivity initiatives and realignment of resources (primarily severance and early retirement costs).

For information on our U.S. refranchising, see the Refranchising (Gain) Loss section below.

In connection with our G&A productivity initiatives and realignment of resources (primarily severance and early retirement costs), we recorded pre-tax charges of $5 million, $5 million and $21 million in the years ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively. The unpaid current liability for the severance portion of these charges was $1 million and $5 million as of December 28, 2013 and December 29, 2012, respectively. Severance payments in the years ended December 28, 2013, December 29, 2012 and December 31, 2011 totaled approximately $4 million, $14 million and $4 million respectively.

We are not including the impacts of these U.S. business transformation measures in our U.S. segment for performance reporting purposes as we do not believe they are indicative of our ongoing operations.

LJS and A&W Divestitures

In 2011 we sold the Long John Silver’s and A&W All American Food Restaurants brands to key franchise leaders and strategic investors in separate transactions.

We recognized $86 million of pre-tax losses and other costs primarily in Closures and impairment (income) expenses during 2011 as a result of these transactions. Additionally, we recognized $104 million of tax benefits related to tax losses associated with the transactions.

We are not including the pre-tax losses and other costs in our U.S. and YRI segments for performance reporting purposes as we do not believe they are indicative of our ongoing operations. In 2012, System sales and Franchise and license fees and income in the U.S. were negatively impacted versus 2011 by 5% and 6%, respectively, due to these divestitures while YRI’s system sales and Franchise and license fees and income were both negatively impacted by 1%. While these divestitures negatively impacted both the U.S. and YRI segments’ Operating Profit by 1% in 2012, the impact on our consolidated Operating Profit was not significant.

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.

	Refranchising (gain) loss		
	2013	**2012**	**2011**
China	$ (5)	$ (17)	$ (14)
YRI[(a)]	(4)	61	69
U.S.[(b)]	(91)	(122)	17
India	—	—	—
WORLDWIDE	**$ (100)**	**$ (78)**	**$ 72**

(a) *During the fourth quarter of 2012, we refranchised our remaining 331 Company-owned Pizza Hut dine-in restaurants in the United Kingdom (“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 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 through 2016. This upfront loss largely contributed to a $70 million Refranchising loss we recognized during 2012 as a result of this refranchising. Also included in that loss was the write-off of $14 million in goodwill allocated to the Pizza Hut UK reporting unit. The remaining carrying value of goodwill allocated to our Pizza Hut UK business of $87 million, immediately subsequent to the aforementioned write-off, was determined not to be impaired as the fair value of the Pizza Hut UK reporting unit exceeded its carrying amount. For the year ended December 28, 2013, the refranchising of the Pizza Hut UK dine-in restaurants decreased Company sales by 18% and increased Franchise and license fees and income and Operating Profit by 2% and 3%, respectively, for the YRI Division versus 2012.*

During 2011, we recorded a $76 million charge in Refranchising (gain) loss as a result of our decision to refranchise or close all of our remaining Company-owned Pizza Hut UK dine-in restaurants, primarily to write down these restaurants’ long-lived assets to their then estimated fair value. Impairment charges of Pizza Hut UK long-lived assets incurred as a result of this decision, including the charge mentioned in the previous sentence, reduced depreciation expense versus what would have otherwise been recorded by $13 million and $3 million for the years ended December 29, 2012 and December 31, 2011, respectively. These depreciation reductions were not allocated to the YRI segment resulting in depreciation expense in the YRI segment results continuing to be recorded at the rate which it was prior to the impairment charges being recorded for these restaurants.

(b) *U.S. Refranchising (gain) loss in the years ended December 28, 2013 and December 29, 2012 is primarily due to gains on sales of Taco Bell restaurants. U.S. Refranchising (gain) loss in the year ended December 31, 2011 is primarily due to losses on sales of and offers to refranchise KFCs in the U.S. The non-cash impairment charges that were recorded related to our offers to refranchise these Company-owned KFC restaurants in the U.S. decreased depreciation expense versus what would have otherwise been recorded by $3 million and $10 million in the years ended December 29, 2012 and December 31, 2011, respectively. These depreciation reductions were not allocated to the U.S. segment resulting in depreciation expense in the U.S. segment results continuing to be recorded at the rate at which it was prior to the impairment charges being recorded for these restaurants.*

See Note 2 for our policy for writing off goodwill in a refranchising transaction.

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment are presented below. These tables exclude $295 million of Little Sheep impairment losses in 2013 and $80 million of net losses related to the LJS and A&W divestitures in 2011, which were not allocated to any segment for performance reporting purposes.

	2013				
	China	YRI	U.S.	India	Worldwide
Store closure (income) costs[(a)]	$ (1)	$ (4)	$ —	$ —	$ (5)
Store impairment charges	31	3	5	2	41
CLOSURE AND IMPAIRMENT (INCOME) EXPENSES	**$ 30**	**$ (1)**	**$ 5**	**$ 2**	**$ 36**

	2012				
	China	YRI	U.S.	India	Worldwide
Store closure (income) costs[(a)]	$ (4)	$ 12	$ —	$ —	$ 8
Store impairment charges	13	7	9	—	29
CLOSURE AND IMPAIRMENT (INCOME) EXPENSES	**$ 9**	**$ 19**	**$ 9**	**$ —**	**$ 37**

	2011				
	China	YRI	U.S.	India	Worldwide
Store closure (income) costs[(a)]	$ (1)	$ 4	$ 4	$ —	$ 7
Store impairment charges	13	18	17	—	48
CLOSURE AND IMPAIRMENT (INCOME) EXPENSES	**$ 12**	**$ 22**	**$ 21**	**$ —**	**$ 55**

(a) *Store closure (income) costs include the net gain or loss on sales of real estate on which we formerly operated a Company-owned 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.*

The following table summarizes the 2013 and 2012 activity related to reserves for remaining lease obligations for closed stores.

	Beginning Balance	Amounts Used	New Decisions	Estimate/ Decision Changes	CTA/Other	Ending Balance
2013 Activity	$ 27	(11)	1	4	—	$ 21
2012 Activity	$ 34	(14)	3	3	1	$ 27

Changes in our Effective Tax Rate

For 2013 our effective tax rate was 6.4 percentage points higher than 2012. See Note 17 for further discussion of our effective tax rate.

NOTE 5 Supplemental Cash Flow Data

	2013	2012	2011
Cash Paid For:			
Interest[(a)]	$ 269	$ 166	$ 199
Income taxes	489	417	349
Significant Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred	$ 15	$ 17	$ 58
Capital lease obligations relieved, primarily through divestitures and refranchisings	2	112	65
Increase (decrease) in accrued capital expenditures	(41)	35	55

(a) *2013 includes $109 million of cash premiums and fees paid related to the extinguishment of debt, which is the primary component of the $120 million loss on debt extinguishment which was not allocated for performance reporting purposes. See the Losses Related to the Extinguishment of Debt section of Note 4 for details.*

NOTE 6 Franchise and License Fees and Income

	2013	2012	2011
Initial fees, including renewal fees	$ 90	$ 92	$ 83
Initial franchise fees included in Refranchising (gain) loss	(13)	(24)	(21)
	77	68	62
Continuing fees and rental income	1,823	1,732	1,671
FRANCHISE AND LICENSE FEES AND INCOME	**$ 1,900**	**$ 1,800**	**$ 1,733**

NOTE 7 Other (Income) Expense

	2013	2012	2011
Equity (income) loss from investments in unconsolidated affiliates	$ (26)	$ (47)	$ (47)
Gain upon acquisition of Little Sheep[(a)]	—	(74)	—
Foreign exchange net (gain) loss and other	10	6	(6)
OTHER (INCOME) EXPENSE	**$ (16)**	**$ (115)**	**$ (53)**

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

NOTE 8 Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	2013	2012
Income tax receivable	$ 89	$ 55
Assets held for sale[(a)]	16	56
Other prepaid expenses and current assets	181	161
PREPAID EXPENSES AND OTHER CURRENT ASSETS	**$ 286**	**$ 272**

(a) Reflects restaurants we have offered for sale to franchisees and excess properties that we do not intend to use for restaurant operations in the future.

Property, Plant and Equipment	2013	2012
Land	$ 508	$ 469
Buildings and improvements	4,393	4,093
Capital leases, primarily buildings	199	200
Machinery and equipment	2,750	2,627
Property, plant and equipment, gross	7,850	7,389
Accumulated depreciation and amortization	(3,391)	(3,139)
PROPERTY, PLANT AND EQUIPMENT, NET	**$ 4,459**	**$ 4,250**

Depreciation and amortization expense related to property, plant and equipment was $686 million, $629 million and $599 million in 2013, 2012 and 2011, respectively.

Accounts Payable and Other Current Liabilities	2013	2012
Accounts payable	$ 704	$ 684
Accrued capital expenditures	223	264
Accrued compensation and benefits	442	487
Dividends payable	164	151
Accrued taxes, other than income taxes	93	103
Other current liabilities	303	347
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	**$ 1,929**	**$ 2,036**

NOTE 9 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	China	YRI	U.S.	India	Worldwide
Balance as of December 31, 2011					
Goodwill, gross	$ 88	$ 299	$ 311	$ —	$ 698
Accumulated impairment losses	—	(17)	—	—	(17)
Goodwill, net	88	282	311	—	681
Acquisitions[(a)]	376	—	—	—	376
Disposals and other, net[(b)]	2	(11)	(14)	—	(23)
Balance as of December 29, 2012					
Goodwill, gross	466	288	297	—	1,051
Accumulated impairment losses	—	(17)	—	—	(17)
Goodwill, net	466	271	297	—	1,034
Acquisitions[(c)]	2	86	—	2	90
Impairment Losses[(d)]	(222)	—	—	—	(222)
Disposals and other, net[(b)]	10	(18)	(5)	—	(13)
Balance as of December 28, 2013					
Goodwill, gross	478	356	292	2	1,128
Accumulated impairment losses	(222)	(17)	—	—	(239)
GOODWILL, NET	**$ 256**	**$ 339**	**$ 292**	**$ 2**	**$ 889**

(a) We recorded goodwill of $376 million related to our acquisition of Little Sheep. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4.
(b) Disposals and other, net includes the impact of foreign currency translation on existing balances and goodwill write-offs associated with refranchising.
(c) We recorded goodwill of $86 million in our YRI segment related to the acquisition of 65 KFC and 41 Pizza Hut restaurants in Turkey.
(d) We recorded an impairment charge of $222 million to write down Little Sheep's goodwill in 2013. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details.

Intangible assets, net for the years ended 2013 and 2012 are as follows:

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Reacquired franchise rights	$ 188	$ (66)	$ 163	$ (47)
Franchise contract rights	130	(90)	131	(84)
Lease tenancy rights	71	(12)	57	(12)
Favorable operating leases	20	(12)	21	(11)
Other	52	(22)	51	(19)
	$ 461	**$ (202)**	**$ 423**	**$ (173)**
Indefinite-lived intangible assets				
KFC trademark	$ 31		$ 31	
Little Sheep trademark[(a)]	348		409	
	$ 379		**$ 440**	

(a) We recorded an impairment charge of $69 million to write down the Little Sheep trademark in 2013. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details.

Amortization expense for all definite-lived intangible assets was $28 million in 2013, $28 million in 2012 and $31 million in 2011. Amortization expense for definite-lived intangible assets will approximate $27 million in 2014, $26 million in 2015, $25 million in 2016, $23 million in 2017 and $22 million in 2018.

NOTE 10 Short-term Borrowings and Long-term Debt

		2013		2012
Short-term Borrowings				
Current maturities of long-term debt	$	71	$	10
Long-term Debt				
Senior Unsecured Notes	$	2,803	$	2,750
Capital lease obligations (See Note 11)		172		170
		2,975		2,920
Less current maturities of long-term debt		(71)		(10)
Long-term debt excluding long-term portion of hedge accounting adjustment		2,904		2,910
Long-term portion of fair value hedge accounting adjustment (See Note 12)		14		22
LONG-TERM DEBT INCLUDING HEDGE ACCOUNTING ADJUSTMENT	**$**	**2,918**	**$**	**2,932**

Our primary bank credit agreement comprises a $1.3 billion syndicated senior unsecured revolving credit facility (the "Credit Facility") which matures in March 2017. The Credit Facility includes 24 participating banks with commitments ranging from $23 million to $115 million. 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 December 28, 2013, our unused Credit Facility totaled $1.2 billion net of outstanding letters of credit of $65 million. There were no borrowings outstanding under the Credit Facility at December 28, 2013. 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 depends upon our performance against 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 December 28, 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 2043 and stated 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. 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.

During the fourth quarter of 2013, we issued $325 million aggregate principal amount of 3.88% 10 year Senior Unsecured Notes and $275 million aggregate principal amount of 5.35% 30 year Senior Unsecured Notes. We used the proceeds from our issuances of these Senior Unsecured Notes in part to repurchase $550 million of our Senior Unsecured Notes due either March 2018 or November 2037 with aggregate principal amounts of $275 million each. See Losses Related to the Extinguishment of Debt section of Note 4 for further detail.

The following table summarizes all Senior Unsecured Notes issued that remain outstanding at December 28, 2013:

Issuance Date[(a)]	Maturity Date		Principal Amount (in millions)	Interest Rate Stated	Interest Rate Effective[(b)]
April 2006	April 2016	$	300	6.25%	6.03%
October 2007	March 2018	$	325	6.25%	6.36%
October 2007	November 2037	$	325	6.88%	7.45%
August 2009	September 2015	$	250	4.25%	4.44%
August 2009	September 2019	$	250	5.30%	5.59%
August 2010	November 2020	$	350	3.88%	4.01%
August 2011	November 2021	$	350	3.75%	3.88%
September 2011	September 2014	$	58	2.38%	2.89%
October 2013	November 2023	$	325	3.88%	4.01%
October 2013	November 2043	$	275	5.35%	5.42%

(a) *Interest payments commenced approximately six months after issuance date and are payable semi-annually thereafter.*

(b) *Includes the effects of the amortization of any (1) premium or discount; (2) debt issuance costs; and (3) gain or loss upon settlement of related treasury locks and forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance. Excludes the effect of any swaps that remain outstanding as described in Note 12.*

The annual maturities of short-term borrowings and long-term debt as of December 28, 2013, excluding capital lease obligations of $172 million and fair value hedge accounting adjustments of $14 million, are as follows:

Year ended:		
2014	$	58
2015		250
2016		300
2017		—
2018		325
Thereafter		1,875
TOTAL	**$**	**2,808**

Interest expense on short-term borrowings and long-term debt was $270 million, $169 million and $184 million in 2013, 2012 and 2011, respectively. 2013 included $118 million in losses recorded in Interest expense, net as a result of premiums paid and other costs related to the extinguishment of debt. See Losses Related to the Extinguishment of Debt section of Note 4 for further discussion.

NOTE 11 Leases

At December 28, 2013 we operated more than 8,100 restaurants, leasing the underlying land and/or building in nearly 7,300 of those restaurants with the vast majority of our commitments expiring within 20 years from the inception of the lease. Our longest lease expires in 2087. We also lease office space for headquarters and support functions, as well as certain office and restaurant equipment. We do not consider any of these individual leases material to our operations. Most leases require us to pay related executory costs, which include property taxes, maintenance and insurance.

Future minimum commitments and amounts to be received as lessor or sublessor under non-cancelable leases are set forth below:

	Commitments		Lease Receivables	
	Capital	Operating	Direct Financing	Operating
2014	$ 18	$ 721	$ 2	$ 61
2015	19	672	2	56
2016	19	627	3	52
2017	17	569	2	47
2018	17	515	2	43
Thereafter	186	2,593	7	152
	$ 276	**$ 5,697**	**$ 18**	**$ 411**

At December 28, 2013 and December 29, 2012, the present value of minimum payments under capital leases was $172 million and $170 million, respectively. At December 28, 2013, unearned income associated with direct financing lease receivables was $6 million.

The details of rental expense and income are set forth below:

	2013	2012	2011
RENTAL EXPENSE			
Minimum	$ 759	$ 721	$ 625
Contingent	293	290	233
	$ 1,052	**$ 1,011**	**$ 858**
RENTAL INCOME	**$ 94**	**$ 77**	**$ 66**

NOTE 12 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 December 28, 2013, our interest rate swaps 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 December 28, 2013, foreign currency forward contracts outstanding had a total notional amount of $141 million.

The fair values of derivatives designated as hedging instruments for the years ended December 28, 2013 and December 29, 2012 were:

	Fair Value 2013	Fair Value 2012	Consolidated Balance Sheet Location
Interest Rate Swaps – Asset	$ 17	$ 24	Other assets
Foreign Currency Forwards – Asset	2	—	Prepaid expenses and other current assets
Foreign Currency Forwards – Liability	(1)	(5)	Accounts payable and other current liabilities
TOTAL	**$ 18**	**$ 19**	

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 $14 million and $22 million to Long-term debt at December 28, 2013 and December 29, 2012, respectively. During the years ended December 28, 2013 and December 29, 2012, Interest expense, net was reduced by $8 million and $12 million, respectively for recognized gains on these interest rate swaps.

Changes in fair value of derivative instruments:

	2013	2012
Beginning of Year Balance	$ 19	$ 34
Changes in fair value recognized into Other Comprehensive Income (“OCI”)	6	(7)
Changes in fair value recognized into income	2	16
Cash receipts	(9)	(24)
ENDING BALANCE	**$ 18**	**$ 19**

For our cash flow hedges the following effective portions of gains and losses were recognized into Accumulated OCI and reclassified into income from Accumulated OCI in the years ended December 28, 2013 and December 29, 2012.

	2013	2012
Gains (losses) recognized into Accumulated OCI, net of tax	$ 4	$ (4)
Gains (losses) reclassified from Accumulated OCI into income, net of tax	$ 1	$ (4)

The gains/losses reclassified from Accumulated OCI into income were recognized as Other income (expense) in our 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 years ended December 28, 2013 and December 29, 2012.

Additionally, we had a net deferred loss of $9 million and $12 million, net of tax, as of December 28, 2013 and December 29, 2012, respectively within Accumulated OCI due to treasury locks and forward-starting interest rate swaps that have been cash settled, as well as outstanding foreign currency forward contracts. The majority of this loss arose from the settlement of forward starting interest rate swaps entered into prior to the issuance of our Senior Unsecured Notes due in 2037, and is being reclassified into earnings through 2037 to interest expense. In 2013, 2012 and 2011 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 the 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 December 28, 2013 and December 29, 2012, 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 13 Fair Value Disclosures

At December 28, 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 $3.0 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.

Recurring Fair Value Measurements

The following table presents 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 years ended December 28, 2013 or December 29, 2012.

	Level	Fair Value 2013	Fair Value 2012
Foreign Currency Forwards, net	2	$ 1	$ (5)
Interest Rate Swaps, net	2	17	24
Other Investments	1	18	17
TOTAL		**$ 36**	**$ 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 that 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 Consolidated Balance Sheets and their fair value is determined based on the closing market prices of the respective mutual funds as of December 28, 2013 and December 29, 2012.

Non-Recurring Fair Value Measurements

The following table presents (income) expense recognized from all non-recurring fair value measurements during the year ended December 28, 2013 for assets and liabilities that remained on our Consolidated Balance Sheet as of December 28, 2013 or for all non-recurring fair value measurements during the year ended December 29, 2012 that remained on our Consolidated Balance Sheet as of December 29, 2012. These assets and liabilities include restaurants or groups of restaurants that were impaired either as a result of our semi-annual impairment review or when it was more likely than not a restaurant or restaurant group would be refranchised.

	2013	2012
Little Sheep impairment (Level 3)[(a)]	$ 295	$ —
Little Sheep acquisition gain (Level 2)[(a)]	—	(74)
Refranchising related impairment – other (Level 3)[(b)]	—	4
Restaurant-level impairment (Level 3)[(c)]	19	16
TOTAL	**$ 314**	**$ (54)**

(a) See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for further discussion.

(b) Refranchising related impairment results from writing down the assets of restaurants or restaurant groups offered for refranchising, including certain instances where a decision has been made to refranchise restaurants that are deemed to be impaired. The fair value measurements used in our impairment evaluation are based on either actual bids received from potential buyers (Level 2), or on estimates of the sales prices we anticipated receiving from a buyer for the restaurant or restaurant groups (Level 3). The remaining net book value of assets measured at fair value during the years ended December 28, 2013 and December 29, 2012 is insignificant.

(c) Restaurant-level impairment charges are recorded in Closures and impairment (income) expenses and resulted primarily from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. The fair value measurements used in these impairment evaluations were based on discounted cash flow estimates using unobservable inputs (Level 3). The remaining net book value of assets measured at fair value during the years ended December 28, 2013 and December 29, 2012 is not significant.

NOTE 14 Pension, Retiree Medical and Retiree Savings Plans

Pension Benefits

We sponsor qualified and supplemental (non-qualified) noncontributory defined benefit plans covering certain full-time salaried and hourly U.S. employees. The qualified plan meets the requirements of certain sections of the Internal Revenue Code. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. The supplemental plans provide additional benefits to certain employees. We fund our supplemental plans as benefits are paid.

The most significant of these plans is the YUM Retirement Plan (the "Plan"), which is a qualified plan. Our funding policy with respect to the Plan is to contribute amounts necessary to satisfy minimum pension funding requirements, including requirements of the Pension Protection Act of 2006, plus additional amounts from time to time as are determined to be necessary to improve the Plan's funded status. We currently do not anticipate making any contributions to the Plan in 2014. We expect to make $8 million in benefit payments related to our significant U.S. non-qualified plan in 2014. During 2001, our two significant U.S. plans 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 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 funding rules for our pension plans outside of the U.S. vary from country to country and depend on many factors including discount rates, performance of plan assets, local laws and regulations. We do not plan to make any significant contributions to any pension plan outside of the U.S. in 2014.

We do not anticipate any plan assets being returned to the Company during 2014 for any plans.

During the fourth quarter of 2012 and continuing through 2013, the Company allowed certain former employees with deferred vested balances in our U.S. pension plans an opportunity to voluntarily elect an early payout of their pension benefits. See Note 4 for details.

Obligation and Funded Status at Measurement Date:

The following chart summarizes the balance sheet impact, as well as benefit obligations, assets, and funded status associated with our significant U.S. and International pension plans. The actuarial valuations for all plans reflect measurement dates coinciding with our fiscal year ends.

	U.S. Pension Plans		International Pension Plans	
	2013	**2012**	**2013**	**2012**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 1,290	$ 1,381	$ 193	$ 187
Service cost	21	26	1	2
Interest cost	54	66	8	8
Participant contributions	—	—	—	1
Plan amendments	—	5	—	—
Curtailments	(3)	(10)	(5)	—
Special termination benefits	5	3	—	—
Exchange rate changes	—	—	4	5
Benefits paid	(21)	(14)	(3)	(4)
Settlements[(a)(b)]	(151)	(278)	—	—
Actuarial (gain) loss	(170)	111	28	(6)
Benefit obligation at end of year	$ 1,025	$ 1,290	$ 226	$ 193
Change in plan assets				
Fair value of plan assets at beginning of year	$ 945	$ 998	$ 226	$ 183
Actual return on plan assets	116	144	30	21
Employer contributions	22	100	1	19
Participant contributions	—	—	—	1
Settlement payments[(a)]	(123)	(278)	—	—
Benefits paid	(21)	(14)	(3)	(4)
Exchange rate changes	—	—	5	6
Administrative expenses	(6)	(5)	—	—
Fair value of plan assets at end of year	$ 933	$ 945	$ 259	$ 226
FUNDED STATUS AT END OF YEAR	**$ (92)**	**$ (345)**	**$ 33**	**$ 33**

Amounts recognized in the Consolidated Balance Sheet:

	U.S. Pension Plans		International Pension Plans	
	2013	**2012**	**2013**	**2012**
Prepaid benefit asset – non-current	$ 10	$ —	$ 33	$ 33
Accrued benefit liability – current	(8)	(19)	—	—
Accrued benefit liability – non-current	(94)	(326)	—	—
	$ (92)	**$ (345)**	**$ 33**	**$ 33**

(a) For discussion of the settlement payments and settlement losses, see Pension Settlement Charges section of Note 4.

(b) 2013 includes the transfer of certain non-qualified pension benefits into a defined benefit plan not included in the table above due to its insignificance.

The accumulated benefit obligation for the U.S. and International pension plans was $1,209 million and $1,426 million at December 28, 2013 and December 29, 2012, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	U.S. Pension Plans		International Pension Plans	
	2013	2012	2013	2012
Projected benefit obligation	$ 102	$ 1,290	$ —	$ —
Accumulated benefit obligation	94	1,239	—	—
Fair value of plan assets	—	945	—	—

Information for pension plans with a projected benefit obligation in excess of plan assets:

	U.S. Pension Plans		International Pension Plans	
	2013	2012	2013	2012
Projected benefit obligation	$ 102	$ 1,290	$ —	$ —
Accumulated benefit obligation	94	1,239	—	—
Fair value of plan assets	—	945	—	—

Components of net periodic benefit cost:

Net periodic benefit cost	U.S. Pension Plans			International Pension Plans		
	2013	2012	2011	2013	2012	2011
Service cost	$ 21	$ 26	$ 24	$ 1	$ 2	$ 5
Interest cost	54	66	64	8	8	10
Amortization of prior service cost[(a)]	2	1	1	—	—	—
Expected return on plan assets	(59)	(71)	(71)	(12)	(11)	(12)
Amortization of net loss	48	63	31	1	1	2
NET PERIODIC BENEFIT COST	**$ 66**	**$ 85**	**$ 49**	**$ (2)**	**$ —**	**$ 5**
Additional (gain) loss recognized due to:						
Settlements[(b)]	$ 30	$ 89	$ —	$ —	$ —	$ —
Special termination benefits[(c)]	$ 5	$ 3	$ 5	$ —	$ —	$ —
Curtailment[(d)]	$ —	$ —	$ —	$ (5)	$ —	$ —

(a) Prior service costs are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits.

(b) Settlement losses result from benefit payments exceeding the sum of the service cost and interest cost for each plan during the year. $10 million and $84 million for 2013 and 2012, respectively of these settlement losses, were not allocated for performance reporting purposes. See Note 4 for discussion of the settlement payments and settlement losses.

(c) Special termination benefits primarily related to the U.S. business transformation measures taken in 2013, 2012 and 2011.

(d) Gain is a result of terminating future service benefits for all participants in one of our UK plans in 2013. The gain was recorded in YRI's G&A expenses, as amounts in Accumulated other comprehensive income (loss) related to this plan were in a net gain position.

Pension (gains) losses in Accumulated other comprehensive income (loss):

	U.S. Pension Plans		International Pension Plans	
	2013	2012	2013	2012
Beginning of year	$ 428	$ 543	$ 14	$ 30
Net actuarial (gain) loss	(221)	43	10	(15)
Curtailments	(3)	(10)	—	—
Amortization of net loss	(48)	(63)	(1)	(1)
Amortization of prior service cost	(2)	(1)	—	—
Prior service cost	—	5	—	—
Settlement charges	(30)	(89)	—	—
Exchange rate changes	—	—	—	—
END OF YEAR	**$ 124**	**$ 428**	**$ 23**	**$ 14**

Accumulated pre-tax losses recognized within Accumulated Other Comprehensive Income:

	U.S. Pension Plans		International Pension Plans	
	2013	2012	2013	2012
Actuarial net loss	$ 119	$ 421	$ 23	$ 14
Prior service cost	5	7	—	—
	$ 124	**$ 428**	**$ 23**	**$ 14**

Form 10-K

The estimated net loss for the U.S. and International pension plans that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2014 is $17 million and less than $1 million, respectively. The estimated prior service cost for the U.S. pension plans that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2014 is $1 million.

Weighted-average assumptions used to determine benefit obligations at the measurement dates:

	U.S. Pension Plans		International Pension Plans	
	2013	2012	2013	2012
Discount rate	5.40%	4.40%	4.70%	4.70%
Rate of compensation increase	3.75%	3.75%	N/A[(a)]	3.70%

Weighted-average assumptions used to determine the net periodic benefit cost for fiscal years:

	U.S. Pension Plans			International Pension Plans		
	2013	2012	2011	2013	2012	2011
Discount rate	4.40%	4.90%	5.90%	4.69%	4.75%	5.40%
Long-term rate of return on plan assets	7.25%	7.25%	7.75%	5.37%	5.55%	6.64%
Rate of compensation increase	3.75%	3.75%	3.75%	1.74%	3.85%	4.41%

(a) As of 2013, both plans presented are now frozen to future service cost credits.

Our estimated long-term rate of return on plan assets represents the weighted-average of expected future returns on the asset categories included in our target investment allocation based primarily on the historical returns for each asset category.

Plan Assets

The fair values of our pension plan assets at December 28, 2013 by asset category and level within the fair value hierarchy are as follows:

	U.S. Pension Plans	International Pension Plans
Level 1:		
Cash[(a)]	$ —	$ 1
Level 2:		
Cash Equivalents[(a)]	5	—
Equity Securities – U.S. Large cap[(b)]	329	—
Equity Securities – U.S. Mid cap[(b)]	55	—
Equity Securities – U.S. Small cap[(b)]	53	—
Equity Securities – Non-U.S.[(b)]	110	159
Fixed Income Securities – U.S. Corporate[(b)]	234	—
Fixed Income Securities – Non-U.S. Corporate[(b)]	—	33
Fixed Income Securities – U.S. Government and Government Agencies[(c)]	129	—
Fixed Income Securities – Other[(d)]	15	66
TOTAL FAIR VALUE OF PLAN ASSETS[(e)]	**$ 930**	**$ 259**

(a) Short-term investments in money market funds
(b) Securities held in common trusts
(c) Investments held directly by the Plan
(d) Includes securities held in common trusts and investments held directly by the Plan
(e) U. S. plans exclude net unsettled trades receivable of $3 million

Our primary objectives regarding the investment strategy for the Plan's assets, which make up 78% of total pension plan assets at the 2013 measurement date, are to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future payment requirements. To achieve these objectives, we are using a combination of active and passive investment strategies. Our equity securities, currently targeted to be rebalanced to 45% from 55% of our investment mix, consist primarily of low-cost index funds focused on achieving long-term capital appreciation. We diversify our equity risk by investing in several different U.S. and foreign market index funds. Investing in these index funds provides us with the adequate liquidity required to fund benefit payments and plan expenses.

The fixed income asset allocation, currently targeted to be rebalanced to 55% from 45% of our mix, is actively managed and consists of long-duration fixed income securities that help to reduce exposure to interest rate variation and to better correlate asset maturities with obligations. The fair values of all pension plan assets are determined based on closing market prices or net asset values.

A mutual fund held as an investment by the Plan includes shares of YUM common stock valued at $0.2 million at December 28, 2013 and $0.7 million at December 29, 2012 (less than 1% of total plan assets in each instance).

Benefit Payments

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are set forth below:

Year ended:	U.S. Pension Plans	International Pension Plans
2014	$ 50	$ 1
2015	46	1
2016	48	1
2017	47	1
2018	50	1
2019–2023	282	7

Expected benefits are estimated based on the same assumptions used to measure our benefit obligation on the measurement date and include benefits attributable to estimated future employee service.

Retiree Medical Benefits

Our post-retirement plan provides health care benefits, principally to U.S. salaried retirees and their dependents, and includes retiree cost-sharing provisions. During 2001, the plan was amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in this plan. Employees hired prior to September 30, 2001 are eligible for benefits if they meet age and service requirements and qualify for retirement benefits. We fund our post-retirement plan as benefits are paid.

At the end of 2013 and 2012, the accumulated post-retirement benefit obligation was $70 million and $83 million, respectively. An actuarial gain of $2 million was recognized in Accumulated other comprehensive loss at the end of 2013, and an actuarial loss of $8 million was recognized in Accumulated other comprehensive loss at the end of 2012. The net periodic benefit cost recorded was $5 million in 2013, and was $6 million in both 2012 and 2011, the majority of which is interest cost on the accumulated post-retirement benefit obligation. The weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the post-retirement medical plan are identical to those as shown for the U.S. pension plans. Our assumed heath care cost trend rates for the following year as of 2013 and 2012 are 7.2% and 7.4%, respectively, with expected ultimate trend rates of 4.5% reached in 2028.

There is a cap on our medical liability for certain retirees. The cap for Medicare-eligible retirees was reached in 2000 and the cap for non-Medicare eligible retirees is expected to be reached in 2014; once the cap is reached, our annual cost per retiree will not increase. A one-percentage-point increase or decrease in assumed health care cost trend rates would have less than a $1 million impact on total service and interest cost and on the post-retirement benefit obligation. The benefits expected to be paid in each of the next five years are approximately $6 million and in aggregate for the five years thereafter are $23 million.

Retiree Savings Plan

We sponsor a contributory plan to provide retirement benefits under the provisions of Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for eligible U.S. salaried and hourly employees. Participants are able to elect to contribute up to 75% of eligible compensation on a pre-tax basis. Participants may allocate their contributions to one or any combination of multiple investment options or a self-managed account within the 401(k) Plan. We match 100% of the participant's contribution to the 401(k) Plan up to 6% of eligible compensation. We recognized as compensation expense our total matching contribution of $12 million in 2013, $13 million in 2012 and $14 million in 2011.

NOTE 15 Share-based and Deferred Compensation Plans

Overview

At year end 2013, we had four stock award plans in effect: the YUM! Brands, Inc. Long-Term Incentive Plan and the 1997 Long-Term Incentive Plan (collectively the "LTIPs"), the YUM! Brands, Inc. Restaurant General Manager Stock Option Plan ("RGM Plan") and the YUM! Brands, Inc. SharePower Plan ("SharePower"). Under all our plans, the exercise price of stock options and SARs granted must be equal to or greater than the average market price or the ending market price of the Company's stock on the date of grant.

Potential awards to employees and non-employee directors under the LTIPs include stock options, incentive stock options, SARs, restricted stock, stock units, restricted stock units ("RSUs"), performance restricted stock units, performance share units ("PSUs") and performance units. Through December 28, 2013, we have issued only stock options, SARs, RSUs and PSUs under the LTIPs. While awards under the LTIPs can have varying vesting provisions and exercise periods, outstanding awards under the LTIPs vest in periods ranging from immediate to five years. Stock options and SARs expire ten years after grant.

Potential awards to employees under the RGM Plan include stock options, SARs, restricted stock and RSUs. Through December 28, 2013, we have issued only stock options and SARs under this plan. RGM Plan awards granted have a four-year cliff vesting period and expire ten years after grant. Certain RGM Plan awards are granted upon attainment of performance conditions in the previous year. Expense for such awards is recognized over a period that includes the performance condition period.

Potential awards to employees under SharePower include stock options, SARs, restricted stock and RSUs. Through December 28, 2013, we have issued only stock options and SARs under this plan. These awards generally vest over a period of four years and expire no longer than ten years after grant.

At year end 2013, approximately 16 million shares were available for future share-based compensation grants under the above plans.

Our Executive Income Deferral ("EID") Plan allows participants to defer receipt of a portion of their annual salary and all or a portion of their incentive compensation. As defined by the EID Plan, we credit the amounts deferred with earnings based on the investment options selected by the participants. These investment options are limited to cash, phantom shares of our Common Stock, phantom shares of a Stock Index Fund and phantom shares of a Bond Index Fund. Investments in cash and phantom shares of both index funds will be distributed in cash at a date as elected by the employee and therefore are classified as a liability on our Consolidated Balance Sheets. We recognize compensation expense for the appreciation or the depreciation, if any, of investments in cash and both of the index funds. Deferrals into the phantom shares of our Common Stock will be distributed in shares of our Common Stock, under the LTIPs, at a date as elected by the employee and therefore are classified in Common Stock on our Consolidated Balance Sheets. We do not recognize compensation expense for the appreciation or the depreciation, if any, of investments in phantom shares of our Common Stock. Our EID plan also allows participants to defer incentive compensation to purchase phantom shares of our Common Stock and receive a 33% Company match on the amount deferred. Deferrals receiving a match are similar to a RSU award in that participants will generally forfeit both the match and incentive compensation amounts deferred if they voluntarily separate from employment during a vesting period that is two years from the date of deferral. We expense the intrinsic value of the match and the incentive compensation over the requisite service period which includes the vesting period.

Historically, the Company has repurchased shares on the open market in excess of the amount necessary to satisfy award exercises and expects to continue to do so in 2014.

Award Valuation

We estimated the fair value of each stock option and SAR award as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2013	2012	2011
Risk-free interest rate	0.8%	0.8%	2.0%
Expected term (years)	6.2	6.0	5.9
Expected volatility	29.9%	29.0%	28.2%
Expected dividend yield	2.1%	1.8%	2.0%

We believe it is appropriate to group our stock option and SAR awards into two homogeneous groups when estimating expected term. These groups consist of grants made primarily to restaurant-level employees under the RGM Plan, which cliff-vest after four years and expire ten years after grant, and grants made to executives under our other stock award plans, which typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. We use a single weighted-average term for our awards that have a graded vesting schedule. Based on analysis of our historical exercise and post-vesting termination behavior, we have determined that our restaurant-level employees and our executives exercised the awards on average after 5 years and 6.25 years, respectively.

When determining expected volatility, we consider both historical volatility of our stock as well as implied volatility associated with our publicly traded options. The expected dividend yield is based on the annual dividend yield at the time of grant.

The fair values of RSU and PSU awards granted prior to 2013 are based on the closing price of our stock on the date of grant. In 2013, the Company granted PSU awards with market-based conditions valued using a Monte Carlo simulation.

Award Activity

Stock Options and SARs

	Shares *(in thousands)*	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value *(in millions)*
Outstanding at the beginning of the year	28,612	$ 37.05		
Granted	3,767	63.83		
Exercised	(4,030)	27.15		
Forfeited or expired	(636)	47.69		
OUTSTANDING AT THE END OF THE YEAR	**27,713[(a)]**	**$ 41.77**	**5.72**	**$ 890**
EXERCISABLE AT THE END OF THE YEAR	**17,787**	**$ 33.58**	**4.45**	**$ 717**

(a) Outstanding awards include 3,103 options and 24,610 SARs with average exercise prices of $34.58 and $42.68, respectively.

The weighted-average grant-date fair value of stock options and SARs granted during 2013, 2012 and 2011 was $14.67, $15.00 and $11.78, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 28, 2013, December 29, 2012 and December 31, 2011, was $176 million, $319 million and $226 million, respectively.

As of December 28, 2013, there was $85 million of unrecognized compensation cost related to stock options and SARs, which will be reduced by any forfeitures that occur, related to unvested awards that is expected to be recognized over a remaining weighted-average period of approximately 1.8 years. The total fair value at grant date of awards that vested during 2013, 2012 and 2011 was $51 million, $48 million and $43 million, respectively.

RSUs and PSUs

As of December 28, 2013, there was $7 million of unrecognized compensation cost related to 0.9 million unvested RSUs and PSUs.

Impact on Net Income

The components of share-based compensation expense and the related income tax benefits are shown in the following table:

	2013	2012	2011
Options and SARs	$ 44	$ 42	$ 49
Restricted Stock Units	6	5	5
Performance Share Units	(1)	3	5
TOTAL SHARE-BASED COMPENSATION EXPENSE	**$ 49**	**$ 50**	**$ 59**
DEFERRED TAX BENEFIT RECOGNIZED	**$ 15**	**$ 15**	**$ 18**
EID compensation expense not share-based	$ 11	$ 5	$ 2

Cash received from stock option exercises for 2013, 2012 and 2011, was $37 million, $62 million and $59 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with share-based compensation for 2013, 2012 and 2011 totaled $65 million, $120 million and $82 million, respectively.

NOTE 16 Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2013, 2012 and 2011. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
Authorization Date	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
November 2013	—	—	—	$ —	$ —	$ —
November 2012	10,922	1,069	—	750	47	—
November 2011	—	11,035	—	—	750	—
January 2011	—	2,787	10,864	—	188	562
March 2010	—	—	3,441	—	—	171
TOTAL	**10,922**[(a)]	**14,891**[(a)]	**14,305**[(b)]	**$ 750**[(a)]	**$ 985**[(a)]	**$ 733**[(b)]

(a) 2013 amount excludes and 2012 amount includes the effect of $20 million in share repurchases (0.3 million shares) with trade dates prior to the 2012 fiscal year end but with settlement dates subsequent to the 2012 fiscal year end.

(b) 2011 amount excludes the effect of $19 million in share repurchases (0.4 million shares) with trade dates prior to the 2010 fiscal year end but cash settlement dates subsequent to the 2010 fiscal year.

On November 16, 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. On November 22, 2013, our Board of Directors authorized additional share repurchases through May 2015 of up to $750 million (excluding applicable transaction fees) of our outstanding Common Stock. As of December 28, 2013, we have $953 million available for future repurchases under these authorizations.

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

	Translation Adjustments and Gains (Losses) From Intra-Entity Transactions of a Long-Term Nature	Pension and Post-Retirement Benefit Plan Losses[(a)(b)]	Net Unrealized Loss on Derivative Instruments	Total
Balance at December 31, 2011, net of tax	$ 140	$ (375)	$ (12)	$ (247)
Amounts classified into OCI, net of tax	23	(10)	(4)	9
Amounts reclassified from accumulated OCI, net of tax	3	99	4	106
OCI, net of tax	26	89	—	115
Balance at December 29, 2012, net of tax	166	(286)	(12)	(132)
Amounts classified into OCI, net of tax	4	136	4	144
Amounts reclassified from accumulated OCI, net of tax	—	53	(1)	52
OCI, net of tax	4	189	3	196
Balance at December 28, 2013, net of tax	$ 170	$ (97)	$ (9)	$ 64

(a) Amounts reclassified from accumulated OCI to pension and post-retirement benefit plan losses during 2012 include amortization of net losses of $66 million, settlement charges of $89 million, amortization of prior service cost of $1 million and the related income tax benefit of $57 million. See Note 14 Pension Benefits for further information.

(b) Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses during 2013 include amortization of net losses of $51 million, settlement charges of $30 million, amortization of prior service cost of $2 million and the related income tax benefit of $30 million. See Note 14 Pension Benefits for further information.

NOTE 17 Income Taxes

U.S. and foreign income before taxes are set forth below:

	2013	2012	2011
U.S.	$ 464	$ 504	$ 266
Foreign	1,087	1,641	1,393
	$ 1,551	**$ 2,145**	**$ 1,659**

The details of our income tax provision (benefit) are set forth below:

		2013	2012	2011
Current:	Federal	$ 159	$ 160	$ 78
	Foreign	330	314	374
	State	22	35	9
		$ 511	**$ 509**	**461**
Deferred:	Federal	$ 42	$ 91	$ (83)
	Foreign	(53)	(57)	(40)
	State	(13)	(6)	(14)
		(24)	28	(137)
		$ 487	**$ 537**	**$ 324**

The reconciliation of income taxes calculated at the U.S. federal tax statutory rate to our effective tax rate is set forth below:

	2013		2012		2011	
U.S. federal statutory rate	$ 543	35.0%	$ 751	35.0%	$ 580	35.0%
State income tax, net of federal tax benefit	3	0.2	4	0.2	2	0.1
Statutory rate differential attributable to foreign operations	(177)	(11.4)	(165)	(7.7)	(218)	(13.1)
Adjustments to reserves and prior years	49	3.1	(47)	(2.2)	24	1.4
Net benefit from LJS and A&W divestitures	—	—	—	—	(72)	(4.3)
Change in valuation allowances	23	1.5	14	0.6	22	1.3
Other, net	46	3.0	(20)	(0.9)	(14)	(0.9)
EFFECTIVE INCOME TAX RATE	**$ 487**	**31.4%**	**$ 537**	**25.0%**	**$ 324**	**19.5%**

Statutory rate differential attributable to foreign operations. This item includes local taxes, withholding taxes, and shareholder-level taxes, net of foreign tax credits. The favorable impact is primarily attributable to a majority of our income being earned outside of the U.S. where tax rates are generally lower than the U.S. rate.

In 2012, this benefit was negatively impacted by the repatriation of current year foreign earnings to the U.S. as we recognized additional tax expense, resulting from the related effective tax rate being lower than the U.S. federal statutory rate.

In 2011, this benefit was positively impacted by the repatriation of current year foreign earnings as we recognized excess foreign tax credits, resulting from the related effective tax rate being higher than the U.S. federal statutory rate.

Adjustments to reserves and prior years. This item includes: (1) changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position; and (2) the effects of reconciling income tax amounts recorded in our Consolidated Statements of Income to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets. The impact of certain effects or changes may offset items reflected in the '*Statutory rate differential attributable to foreign operations' line*.

In 2013, this item was negatively impacted by the provision recorded related to the continuing dispute with the IRS regarding the valuation of rights to intangibles transferred to certain foreign subsidiaries. See discussion below in the Internal Revenue Service Proposed Adjustments for details.

In 2012, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

Net benefit from LJS and A&W divestitures. This item includes a one-time $117 million tax benefit, including approximately $8 million U.S. state benefit, recognized on the LJS and A&W divestitures in 2011, partially offset by $45 million of valuation allowance, including approximately $4 million state expense, related to capital loss carryforwards recognized as a result of the divestitures. In addition, we recorded $32 million of tax benefits on $86 million of pre-tax losses and other costs, which resulted in $104 million of total net tax benefits related to the divestitures.

Change in valuation allowances. This item relates to changes for deferred tax assets generated or utilized during the current year and changes in our judgment regarding the likelihood of using deferred tax assets that existed at the beginning of the year. The impact of certain changes may offset items reflected in the *'Statutory rate differential attributable to foreign operations'* line.

In 2013, $23 million of net tax expense was driven by $32 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by a $9 million net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2012, $14 million of net tax expense was driven by $16 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by a $2 million net tax benefit resulting from a change in judgment regarding the future use of certain deferred tax assets that existed at the beginning of the year.

In 2011, $22 million of net tax expense was driven by $15 million for valuation allowances recorded against deferred tax assets generated during the current year and $7 million of tax expense resulting from a change in judgment regarding the future use of certain foreign deferred tax assets that existed at the beginning of the year. These amounts exclude $45 million in valuation allowance additions related to capital losses recognized as a result of the LJS and A&W divestitures, which are presented within *Net Benefit from LJS and A&W divestitures.*

Other. This item primarily includes the impact of permanent differences related to current year earnings as well as U.S. tax credits and deductions.

In 2013, this item was negatively impacted by the $222 million non-cash impairment of Little Sheep goodwill, which resulted in no related tax benefit.

In 2012, this item was positively impacted by a one-time pre-tax gain of $74 million, with no related income tax expense, recognized on our acquisition of additional interest in, and consolidation of Little Sheep.

The details of 2013 and 2012 deferred tax assets (liabilities) are set forth below:

	2013	2012
Operating losses and tax credit carryforwards	$ 310	$ 337
Employee benefits	182	251
Share-based compensation	118	108
Self-insured casualty claims	48	50
Lease-related liabilities	120	115
Various liabilities	88	82
Property, plant and equipment	42	39
Deferred income and other	58	57
Gross deferred tax assets	966	1,039
Deferred tax asset valuation allowances	(203)	(200)
Net deferred tax assets	$ 763	$ 839
Intangible assets, including goodwill	$ (233)	$ (256)
Property, plant and equipment	(93)	(95)
Other	(55)	(48)
Gross deferred tax liabilities	$ (381)	$ (399)
NET DEFERRED TAX ASSETS (LIABILITIES)	**$ 382**	**$ 440**
Reported in Consolidated Balance Sheets as:		
Deferred income taxes – current	$ 123	$ 127
Deferred income taxes – long-term	399	467
Accounts payable and other current liabilities	(2)	(5)
Other liabilities and deferred credits	(138)	(149)
	$ 382	**$ 440**

We have investments in foreign subsidiaries where the carrying values for financial reporting exceed the tax basis. We have not provided deferred tax on the portion of the excess that we believe is essentially permanent in duration. This amount may become taxable upon an actual or deemed repatriation of assets from the subsidiaries or a sale or liquidation of the subsidiaries. We estimate that our total temporary difference upon which we have not provided deferred tax is approximately $2.6 billion at December 28, 2013. A determination of the deferred tax liability on this amount is not practicable.

At December 28, 2013, the Company has foreign operating and capital loss carryforwards of $0.6 billion and U.S. state operating loss, capital loss and tax credit carryforwards of $1.2 billion and U.S. federal capital loss and tax credit carryforwards of $0.2 billion. These losses are being carried forward in jurisdictions where we are permitted to use tax losses from prior periods to reduce future taxable income and will expire as follows:

	Year of Expiration				
	2014	2015-2018	2019-2033	Indefinitely	Total
Foreign	$ 38	$ 132	$ 91	$ 325	$ 586
U.S. state	16	105	1,040	—	1,161
U.S. federal	—	90	64	—	154
	$ 54	**$ 327**	**$ 1,195**	**$ 325**	**$ 1,901**

We recognize the benefit of positions taken or expected to be taken in tax returns in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

The Company had $243 million and $309 million of unrecognized tax benefits at December 28, 2013 and December 29, 2012, respectively, $170 million and $184 million of which, if recognized, would impact the effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	2013	2012
Beginning of Year	$ 309	$ 348
Additions on tax positions - current year	19	50
Additions for tax positions - prior years	55	23
Reductions for tax positions - prior years	(102)	(90)
Reductions for settlements	(23)	(6)
Reductions due to statute expiration	(16)	(16)
Foreign currency translation adjustment	1	—
END OF YEAR	**$ 243**	**$ 309**

The Company believes it is reasonably possible its unrecognized tax benefits may decrease by approximately $26 million in the next twelve months, including approximately $20 million which, if recognized upon audit settlement or statute expiration, would affect the 2014 effective tax rate. Each of these positions is individually insignificant.

The Company's income tax returns are subject to examination in the U.S. federal jurisdiction and numerous foreign jurisdictions. The following table summarizes our major jurisdictions and the tax years that are either currently under audit or remain open and subject to examination:

Jurisdiction	Open Tax Years
U.S. Federal	2004–2013
China	2010–2013
United Kingdom	2010–2013
Mexico	2006–2013
Australia	2009–2013

In addition, the Company is subject to various U.S. state income tax examinations, for which, in the aggregate, we had significant unrecognized tax benefits at December 28, 2013, each of which is individually insignificant.

The accrued interest and penalties related to income taxes at December 28, 2013 and December 29, 2012 are set forth below:

	2013	2012
Accrued interest and penalties	$ 64	$ 50

During 2013, 2012 and 2011, a net expense of $18 million, net benefit of $3 million and net benefit of $2 million, respectively, for interest and penalties was recognized in our Consolidated Statements of Income as components of its income tax provision.

Internal Revenue Service Proposed Adjustments

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 $255 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 $40 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 2013, computed on a similar basis to the 2004-2008 additional taxes, would be approximately $140 million plus net interest to date of approximately $10 million.

We believe we have properly reported our taxable income and paid taxes consistent with all applicable laws and intend to vigorously defend our position, including through litigation, if we are unable to settle with the IRS through administrative proceedings. As the final resolution of the proposed adjustments remains uncertain, 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.

Form 10-K

NOTE 18 Reportable Operating Segments

We are principally engaged in developing, operating, franchising and licensing the worldwide KFC, Pizza Hut and Taco Bell concepts. KFC, Pizza Hut and Taco Bell operate in 118, 91, and 21 countries and territories, respectively. Our five largest international markets based on Operating Profit in 2013 are China, Asia Franchise, United Kingdom, Australia and Latin America Franchise.

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, Pizza Hut and Taco Bell operating segments in the U.S. to be similar and therefore have aggregated them into a single reportable operating segment. Our U.S. and YRI segment results also include the operating results of our LJS and A&W businesses prior to our disposal of those businesses in December 2011.

	Revenues		
	2013	2012	2011
China	$ 6,905	$ 6,898	$ 5,566
YRI	3,099	3,281	3,192
U.S.	2,953	3,352	3,786
India	127	102	82
	$ 13,084	**$ 13,633**	**$ 12,626**

	Operating Profit; Interest Expense, Net; and Income Before Income Taxes		
	2013	2012	2011
China[b]	$ 777	$ 1,015	$ 908
YRI	760	715	673
U.S.	684	666	589
India	(15)	(1)	—
Unallocated Occupancy and other[a][c]	—	16	14
Unallocated and corporate expenses[a][d]	(207)	(271)	(223)
Unallocated Closures and impairment expense[a][e]	(295)	—	(80)
Unallocated Other income (expense)[a][f]	(6)	76	6
Unallocated Refranchising gain (loss)[a][g]	100	78	(72)
Operating Profit	1,798	2,294	1,815
Interest expense, net[h]	(247)	(149)	(156)
INCOME BEFORE INCOME TAXES	**$ 1,551**	**$ 2,145**	**$ 1,659**

	Depreciation and Amortization		
	2013	2012	2011
China	$ 394	$ 337	$ 258
YRI	175	167	183
U.S.	135	147	179
India	9	6	5
Corporate[c]	8	8	12
	$ 721	**$ 665**	**$ 637**

	Capital Spending		
	2013	2012	2011
China	$ 568	$ 655	$ 405
YRI	289	251	240
U.S.	157	173	256
India	31	18	16
Corporate	4	2	23
	$ 1,049	**$ 1,099**	**$ 940**

	Identifiable Assets		
	2013	2012	2011
China[i]	$ 3,720	$ 3,752	$ 2,527
YRI	2,618	2,663	2,847
U.S.	1,705	1,844	2,070
India	99	68	52
Corporate[j]	553	686	1,338
	$ 8,695	**$ 9,013**	**$ 8,834**

	Long-Lived Assets(k)		
	2013	2012	2011
China	$ 2,667	$ 2,779	$ 1,546
YRI	1,732	1,561	1,600
U.S.	1,489	1,555	1,805
India	66	47	35
Corporate	32	32	36
	$ 5,986	**$ 5,974**	**$ 5,022**

(a) *Amounts have not been allocated to any segment for performance reporting purposes.*

(b) *Includes equity income from investments in unconsolidated affiliates of $26 million, $47 million and $47 million in 2013, 2012 and 2011, respectively, for China.*

(c) *2012 and 2011 include depreciation reductions arising from the impairments of Pizza Hut UK restaurants we sold in 2012 of $13 million and $3 million, respectively. 2012 and 2011 include depreciation reductions arising from the impairment of KFC restaurants we offered to sell of $3 million and $10 million, respectively. See Note 4.*

(d) *2013 and 2012 include pension settlement charges of $22 million and $87 million, respectively. 2013, 2012 and 2011 include approximately $5 million, $5 million and $21 million, respectively, of charges relating to U.S. G&A productivity initiatives and realignment of resources. See Note 4.*

(e) *2013 represents impairment loss related to Little Sheep. 2011 represents net losses resulting from the LJS and A&W divestitures. See Note 4.*

(f) *2012 includes gain upon acquisition of Little Sheep of $74 million. See Note 4.*

(g) *See Note 4 for further discussion of Refranchising gain (loss).*

(h) *Includes $118 million of premiums and other costs related to the extinguishment of debt. See Losses Related to the Extinguishment of Debt section of Note 4.*

(i) *China includes investments in 4 unconsolidated affiliates totaling $53 million, $72 million and $167 million for 2013, 2012 and 2011, respectively.*

(j) *Primarily includes cash, deferred tax assets and property, plant and equipment, net, related to our office facilities. 2011 includes $300 million of restricted cash related to the 2012 Little Sheep acquisition.*

(k) *Includes property, plant and equipment, net, goodwill, and intangible assets, net.*

See Note 4 for additional operating segment disclosures related to impairment and store closure (income) costs.

NOTE 19 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 December 28, 2013, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately $725 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 28, 2013 was approximately $625 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 December 28, 2013 and December 29, 2012 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 or the upgrade of existing restaurants and, to a lesser extent, in connection with the Company's refranchising programs in the U.S. 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. We have provided guarantees of approximately $35 million in support of the franchisee loan program at December 28, 2013. The total loans outstanding under the loan pool were $38 million at December 28, 2013 with an additional $42 million available for lending at December 28, 2013.

In addition to the guarantees described above, YUM has provided guarantees of up to approximately $100 million on behalf of franchisees for several financing programs related to specific initiatives. The total loans outstanding under these financing programs were approximately $44 million at December 28, 2013.

Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 28, 2013 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately $1.1 billion for the year ended December 28, 2013 and assets and debt of approximately $365 million and $85 million, respectively, at December 28, 2013.

Insurance Programs

We are self-insured for a substantial portion of our current and prior years' coverage including 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.

The following table summarizes the 2013 and 2012 activity related to our net self-insured property and casualty reserves as of December 28, 2013.

	Beginning Balance	Expense	Payments	Ending Balance
2013 Activity	$ 142	47	(61)	$ 128
2012 Activity	$ 140	58	(56)	$ 142

In the U.S. and in certain other countries, we are also self-insured for healthcare claims and long-term disability 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 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.

In early 2013, four putative class action complaints were filed in the U.S. District Court for the Central District of California against the Company and certain executive officers alleging claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Plaintiffs alleged that defendants made false and misleading statements concerning the Company's current and future business and financial condition. The four complaints were subsequently consolidated and transferred to the U.S. District Court for the Western District of Kentucky. On August 5, 2013, lead plaintiff, Frankfurt Trust Investment GmbH, filed a Consolidated Class Action Complaint ("Amended Complaint") on behalf of a putative class of all persons who purchased the Company's stock between February 6, 2012 and February 4, 2013 (the "Class Period"). The Amended Complaint no longer includes allegations relating to misstatements regarding the Company's business or financial condition and instead alleges that, during the Class Period, defendants purportedly omitted information about the Company's supply chain in China, thereby inflating the prices at which the Company's securities traded. On October 4, 2013, the Company and individual defendants filed a motion to dismiss the Amended Complaint. Briefing on the motion to dismiss is now complete. The Company denies liability and intends to vigorously defend against all claims in the Amended Complaint. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

On January 24, 2013, Bert Bauman, 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 primarily as a result of the failure to implement proper controls in connection with the Company's purchases of poultry from suppliers to the Company's China operations. Subsequently, similar demand letters by other purported shareholders were submitted. Those letters were referred to a special committee of the Board of Directors (the "Special Committee") for consideration. The Special Committee, upon conclusion of an independent inquiry of the matters described in the letters, unanimously determined that it is not in the best interests of the Company to pursue the claims described in the letters and, accordingly, rejected each shareholder's demand.

On May 9, 2013, Mr. Bauman filed a putative derivative action in Jefferson Circuit Court, Commonwealth of Kentucky against certain current and former officers and directors of the Company asserting breach of fiduciary duty, waste of corporate assets and unjust enrichment in connection with an alleged failure to implement proper controls in the Company's purchases of poultry from suppliers to the Company's China operations and with an alleged scheme to mislead investors about the Company's growth prospects in China. By agreement of the parties, the matter is temporarily stayed pending the outcome of the motion to dismiss the securities class action. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

On February 14, 2013, Jennifer Zona, another purported shareholder of the Company, submitted a demand letter similar to the demand letters described above. On May 21, 2013, Ms. Zona filed a putative derivative action in the U.S. District Court for the Western District of Kentucky against certain officers and directors of the Company asserting claims similar to those asserted by Mr. Bauman. The case was subsequently reassigned to the same judge that the securities class action is before. On October 14, 2013, the Company filed a motion to dismiss on the basis of the Special Committee's findings. By agreement of the parties, the matter is temporarily stayed pending the outcome of the motion to dismiss the securities class action. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

On May 17, 2013, Sandra Wollman, another purported shareholder of the Company, submitted a demand letter similar to the demand letters described above. On December 9, 2013, Ms. Wollman filed a putative derivative action in the U.S. District Court for the Western District of Kentucky against certain current and former officers and directors of the Company asserting claims similar to those asserted by Mr. Bauman and Ms. Zona. By agreement of the parties, the matter was consolidated with the Zona action and is temporarily stayed pending the outcome of the motion to dismiss the securities class action. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time.

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.

These matters were consolidated, and the consolidated case is styled In Re Taco Bell Wage and Hour Actions. The In Re Taco Bell Wage and Hour Actions plaintiffs filed a consolidated complaint in June 2009, and in March 2010 the court approved the parties' stipulation to dismiss the Company from the action. 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. The parties thereafter agreed on a list of putative class members, and the class notice and opportunity to opt out of the litigation were mailed on January 21, 2014.

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 Consolidated 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 Consolidated Financial Statements cannot be made at this time.

On May 16, 2013, a putative class action styled Bernardina Rodriguez v. Taco Bell Corp. was filed in California Superior Court. The plaintiff seeks to represent a class of current and former California hourly restaurant employees alleging various violations of California labor laws including failure to provide meal and rest periods, failure to pay hourly wages, failure to provide accurate written wage statements, failure to timely pay all final wages, and unfair or unlawful business practices in violation of California Business & Professions Code §17200. This case appears to be duplicative of the In Re Taco Bell Wage and Hour Actions case described above. Taco Bell removed the case to federal court and, on June 25, 2013, plaintiff filed a first amended complaint to include a claim seeking penalties for alleged violations of California's Labor Code under California's Private Attorneys General Act. Taco Bell's motion to dismiss or stay the action in light of the In Re Taco Bell Wage and Hour Actions case was denied on October 30, 2013.

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.

In December 2002, Taco Bell was named as the defendant in a class action lawsuit filed in the U.S. District Court for the Northern District of California styled Moeller, et al. v. Taco Bell Corp. In August 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.

In December 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. In September 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. The court subsequently 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, and on June 24, 2013 the Ninth Circuit Court of Appeals dismissed plaintiff's appeal. On January 15, 2014, plaintiffs filed a motion seeking issuance of a classwide injunction, and Taco Bell filed a motion to dismiss both the individual and class ADA claims based on a lack of jurisdiction.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. 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 Consolidated 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 Consolidated Financial Statements cannot be made at this time.

In July 2009, a putative class action styled Mark Smith v. Pizza Hut, Inc. was filed in the U.S. 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. In January 2010, plaintiffs filed a motion for conditional certification of a nationwide class of current and former Pizza Hut, Inc. delivery drivers. However, in March 2010, the court granted Pizza Hut's pending motion to dismiss for failure to state a claim, with leave to amend. Plaintiffs subsequently 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. In August 2010, the court granted plaintiffs' motion to amend. Pizza Hut filed another motion to dismiss the Second Amended Complaint. In July 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 in August 2011, and the Court granted plaintiffs' motion in April 2012. The opt-in period closed on August 23, 2012, and approximately 6,000 individuals opted in.

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.

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 Consolidated Financial Statements.

NOTE 20 Selected Quarterly Financial Data (Unaudited)

	2013				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 2,099	$ 2,474	$ 3,021	$ 3,590	$ 11,184
Franchise and license fees and income	436	430	445	589	1,900
Total revenues	2,535	2,904	3,466	4,179	13,084
Restaurant profit	333	310	531	509	1,683
Operating Profit[(a)]	487	390	350	571	1,798
Net Income – YUM! Brands, Inc.[(c)]	337	281	152	321	1,091
Basic earnings per common share	0.74	0.62	0.34	0.72	2.41
Diluted earnings per common share	0.72	0.61	0.33	0.70	2.36
Dividends declared per common share	0.335	0.335	—	0.74	1.41

	2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 2,344	$ 2,762	$ 3,142	$ 3,585	$ 11,833
Franchise and license fees and income	399	406	427	568	1,800
Total revenues	2,743	3,168	3,569	4,153	13,633
Restaurant profit	440	423	599	519	1,981
Operating Profit[(b)]	645	473	671	505	2,294
Net Income – YUM! Brands, Inc.	458	331	471	337	1,597
Basic earnings per common share	0.99	0.71	1.02	0.74	3.46
Diluted earnings per common share	0.96	0.69	1.00	0.72	3.38
Dividends declared per common share	0.285	0.285	—	0.67	1.24

(a) *Includes a non-cash charge of $295 million in the third quarter related primarily to the impairment of Little Sheep intangible assets and net U.S. refranchising gains of $17 million, $28 million, $37 million and $9 million in the first, second, third and fourth quarters, respectively. See Note 4 for further discussion.*

(b) *Includes a non-cash gain recognized upon acquisition of Little Sheep of $74 million in the first quarter, refranchising losses associated with the Pizza Hut UK dine-in business of $24 million and $46 million in the first and fourth quarters, respectively, net U.S. refranchising gains of $45 million and $69 million in the first and fourth quarters, respectively and a pension settlement charge of $84 million in the fourth quarter. See Note 4 for further discussion.*

(c) *Includes an after-tax charge of $75 million in the fourth quarter related to the repurchase of Senior Unsecured Notes. See Note 4 for further discussion.*

Management's Responsibility for Financial Statements

To Our Shareholders:

We are responsible for the preparation, integrity and fair presentation of the Consolidated Financial Statements, related notes and other information included in this annual report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include certain amounts based upon our estimates and assumptions, as required. Other financial information presented in the annual report is derived from the financial statements.

We maintain a system of internal control over financial reporting, designed to provide reasonable assurance as to the reliability of the financial statements, as well as to safeguard assets from unauthorized use or disposition. The system is supported by formal policies and procedures, including an active Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. We have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 28, 2013. Our internal audit function monitors and reports on the adequacy of and compliance with the internal control system, and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified.

The Consolidated Financial Statements have been audited and reported on by our independent auditors, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that management representations made to the independent auditors were valid and appropriate. Additionally, the effectiveness of our internal control over financial reporting has been audited and reported on by KPMG LLP.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, provides oversight to our financial reporting process and our controls to safeguard assets through periodic meetings with our independent auditors, internal auditors and management. Both our independent auditors and internal auditors have free access to the Audit Committee.

Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of December 28, 2013 provide reasonable assurance that our assets are reasonably safeguarded.

Patrick J. Grismer

Chief Financial Officer

ITEM 9 Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A 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 this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (1992)*, our management concluded that our internal control over financial reporting was effective as of December 28, 2013.

KPMG LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and the effectiveness of our internal control over financial reporting and has issued their report, included herein.

Changes in Internal Control

There were no changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended December 28, 2013.

ITEM 9B Other Information

None.

PART III

ITEM 10 Directors, Executive Officers and Corporate Governance

Information regarding Section 16(a) compliance, the Audit Committee and the Audit Committee financial expert, the Company's code of ethics and background of the directors appearing under the captions "Stock Ownership Information," "Governance of the Company," "Executive Compensation" and "Item 1: Election of Directors and Director biographies" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 28, 2013.

Information regarding executive officers of the Company is included in Part I.

ITEM 11 Executive Compensation

Information regarding executive and director compensation and the Compensation Committee appearing under the captions "Governance of the Company" and "Executive Compensation" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 28, 2013.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding equity compensation plans and security ownership of certain beneficial owners and management appearing under the captions "Executive Compensation" and "Stock Ownership Information" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 28, 2013.

ITEM 13 Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions and information regarding director independence appearing under the caption "Governance of the Company" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 28, 2013.

ITEM 14 Principal Accountant Fees and Services

Information regarding principal accountant fees and services and audit committee pre-approval policies and procedures appearing under the caption "Item 2: Ratification of Independent Auditors" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 28, 2013.

PART IV

ITEM 15 Exhibits and Financial Statement Schedules

(a)	(1)	Financial Statements: Consolidated Financial Statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.
	(2)	Financial Statement Schedules: No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements thereto filed as a part of this Form 10-K.
	(3)	Exhibits: The exhibits listed in the accompanying Index to Exhibits are filed as part of this Form 10-K. The Index to Exhibits specifically identifies each management contract or compensatory plan required to be filed as an exhibit to this Form 10-K.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 18, 2014

YUM! BRANDS, INC.
By: /s/DAVID C. NOVAK

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/DAVID C. NOVAK **David C. Novak**	*Chairman of the Board, Chief Executive Officer (principal executive officer)*	February 18, 2014
/s/PATRICK J. GRISMER **Patrick J. Grismer**	*Chief Financial Officer (principal financial officer)*	February 18, 2014
/s/DAVID E. RUSSELL **David E. Russell**	*Vice President, Finance and Corporate Controller (principal accounting officer)*	February 18, 2014
/s/MICHAEL J. CAVANAGH **Michael J. Cavanagh**	*Director*	February 18, 2014
/s/DAVID W. DORMAN **David W. Dorman**	*Director*	February 18, 2014
/s/MASSIMO FERRAGAMO **Massimo Ferragamo**	*Director*	February 18, 2014
/s/MIRIAN GRADDICK-WEIR **Mirian Graddick-Weir**	*Director*	February 18, 2014
/s/J. DAVID GRISSOM **J. David Grissom**	*Director*	February 18, 2014
/s/BONNIE G. HILL **Bonnie G. Hill**	*Director*	February 18, 2014
/s/JONATHAN S. LINEN **Jonathan S. Linen**	*Director*	February 18, 2014
/s/THOMAS C. NELSON **Thomas C. Nelson**	*Director*	February 18, 2014
/s/THOMAS M. RYAN **Thomas M. Ryan**	*Director*	February 18, 2014
/s/JING-SHYH S. SU **Jing-Shyh S. Su**	*Vice-Chairman of the Board*	February 18, 2014
/s/ROBERT D. WALTER **Robert D. Walter**	*Director*	February 18, 2014

Exhibit Index (Item 15)

Exhibit Number	Description of Exhibits
3.1	Restated Articles of Incorporation of YUM, effective May 26, 2011, which is incorporated herein by reference from Exhibit 3.1 to YUM's Report on Form 8-K filed on May 31, 2011.
3.2	Amended and restated Bylaws of YUM, effective May 26, 2011, which are incorporated herein by reference from Exhibit 3.2 to YUM's Report on Form 8-K filed on May 31, 2011.
4.1	Indenture, dated as of May 1, 1998, between YUM and The Bank of New York Mellon Trust Company, N.A., successor in interest to The First National Bank of Chicago, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on May 13, 1998.
	(i) 6.25% Senior Notes due April 15, 2016 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on April 17, 2006.
	(ii) 6.25% Senior Notes due March 15, 2018 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on October 22, 2007.
	(iii) 6.875% Senior Notes due November 15, 2037 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.3 to YUM's Report on Form 8-K filed on October 22, 2007.
	(iv) 4.25% Senior Notes due September 15, 2015 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on August 25, 2009.
	(v) 5.30% Senior Notes due September 15, 2019 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on August 25, 2009.
	(vi) 3.875% Senior Notes due November 1, 2020 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on August 31, 2010.
	(vii) 3.750% Senior Notes due November 1, 2021 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed August 29, 2011.
	(viii) 3.875% Senior Notes due November 1, 2023 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed October 31, 2013.
	(ix) 5.350% Senior Notes due November 1, 2043 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.3 to YUM's Report on Form 8-K filed October 31, 2013.
10.1+	Master Distribution Agreement between Unified Foodservice Purchasing Co-op, LLC, for and on behalf of itself as well as the Participants, as defined therein (including certain subsidiaries of Yum! Brands, Inc.) and McLane Foodservice, Inc., effective as of January 1, 2011 and Participant Distribution Joinder Agreement between Unified Foodservice Purchasing Co-op, LLC, McLane Foodservice, Inc., and certain subsidiaries of Yum! Brands, Inc., which are incorporated herein by reference from Exhibit 10.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2010.
10.2	Credit Agreement, dated March 22, 2012 among YUM, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A. and Wells Fargo Bank, National Association, as Syndication Agents, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as Lead Arrangers and Bookrunners and HSBC Bank USA, National Association, US Bank, National Association and Fifth Third Bank, as Documentation Agents, which is incorporated herein by reference from Exhibit 10.26 to YUM's Quarterly Report on Form 10-Q for quarter ended March 24, 2012.
10.3†	YUM Director Deferred Compensation Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.7 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.3.1†	YUM Director Deferred Compensation Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through November 14, 2008, which is incorporated by reference from Exhibit 10.7.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.4†	YUM 1997 Long Term Incentive Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.8 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.5†	YUM Executive Incentive Compensation Plan, as effective May 20, 2004, and as Amended through the Second Amendment, as effective May 21, 2009, which is incorporated herein by reference from Exhibit A of YUM's Definitive Proxy Statement on Form DEF 14A for the Annual Meeting of Shareholders held on May 21, 2009.
10.6†	YUM Executive Income Deferral Program, as effective October 7, 1997, and as amended through May 16, 2002, which is incorporated herein by reference from Exhibit 10.10 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.6.1†	YUM! Brands Executive Income Deferral Program, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through June 30, 2009, which is incorporated by reference from Exhibit 10.10.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.7†	YUM! Brands Pension Equalization Plan, Plan Document for the Pre-409A Program, as effective January 1, 2005, and as Amended through December 31, 2010, which is incorporated by reference from Exhibit 10.7 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 19, 2011.
10.7.1†	YUM! Brands, Inc. Pension Equalization Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through December 30, 2008, which is incorporated by reference from Exhibit 10.13.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.7.2†	YUM! Brands Pension Equalization Plan Amendment, as effective January 1, 2012, which is incorporated by reference from Exhibit 10.7.2 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.

Exhibit Number	Description of Exhibits
10.7.3†	YUM! Brands Pension Equalization Plan Amendment, as effective January 1, 2013, which is incorporated by reference from Exhibit 10.7.3 to Yum's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.8†	Form of Directors' Indemnification Agreement, which is incorporated herein by reference from Exhibit 10.17 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
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 Form 8-K filed on March 21, 2013.
10.10†	YUM Long Term Incentive Plan, as Amended through the Fourth Amendment, as effective November 21, 2008, which is incorporated by reference from Exhibit 10.18 to YUM's Quarterly Report on Form 10-Q for the quarter ended June 13, 2009.
10.11	Second Amended and Restated YUM Purchasing Co-op Agreement, dated as of January 1, 2012, between YUM and the Unified Foodservice Purchasing Co-op, LLC, which is incorporated herein by reference from Exhibit 10.11 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.
10.12†	YUM Restaurant General Manager Stock Option Plan, as effective April 1, 1999, and as amended through June 23, 2003, which is incorporated herein by reference from Exhibit 10.22 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.13†	YUM SharePower Plan, as effective October 7, 1997, and as amended through June 23, 2003, which is incorporated herein by reference from Exhibit 10.23 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.14†	Form of YUM Director Stock Option Award Agreement, which is incorporated herein by reference from Exhibit 10.25 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.15†	Form of YUM 1999 Long Term Incentive Plan Award Agreement, which is incorporated herein by reference from Exhibit 10.26 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.15.1†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Options), as incorporated by reference from Exhibit 10.15.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.16†	YUM! Brands, Inc. International Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.
10.17†	Letter of Understanding, dated July 13, 2004, and as amended on May 18, 2011, by and between the Company and Samuel Su, which is incorporated herein by reference from Exhibit 10.28 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004, and from Item 5.02 of Form 8-K on May 24, 2011.
10.18†	Form of 1999 Long Term Incentive Plan Award Agreement (Stock Appreciation Rights) which is incorporated by reference from Exhibit 99.1 to YUM's Report on Form 8-K as filed on January 30, 2006.
10.18.1†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2013) (Stock Appreciation Rights), which is incorporated by reference from Exhibit 10.18.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 23, 2013.
10.20†	YUM! Brands Leadership Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.32 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 24, 2007.
10.20.1†	YUM! Brands Leadership Retirement Plan, Plan Document for the 409A Program, as effective January 1, 2005, and as Amended through December, 2009, which is incorporated by reference from Exhibit 10.21.1 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.21†	1999 Long Term Incentive Plan Award (Restricted Stock Unit Agreement) by and between the Company and David C. Novak, dated as of January 24, 2008, which is incorporated herein by reference from Exhibit 10.33 to YUM's Annual Report on Form 10-K for the fiscal year ended December 29, 2007.
10.22†	YUM! Performance Share Plan, as effective January 1, 2009, which is incorporated by reference from Exhibit 10.24 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.23†	YUM! Brands Third Country National Retirement Plan, as effective January 1, 2009, which is incorporated by reference from Exhibit 10.25 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.24†	2010 YUM! Brands Supplemental Long Term Disability Coverage Summary, as effective January 1, 2010, which is incorporated by reference from Exhibit 10.26 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 2009.
10.25†	1999 Long Term Incentive Plan Award (Restricted Stock Unit Agreement) by and between the Company and Jing-Shyh S. Su, dated as of May 20, 2010, which is incorporated by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2010.
12.1	Computation of ratio of earnings to fixed charges.
21.1	Active Subsidiaries of YUM.
23.1	Consent of KPMG LLP.
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.
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.
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.
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 Number	Description of Exhibits
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

\+ *Confidential treatment has been granted for certain portions which are omitted in the copy of the exhibit electronically filed with the SEC. The omitted information has been filed separately with the SEC pursuant to our application for confidential treatment.*

† *Indicates a management contract or compensatory plan.*

Shareholder Information

Inquiries Regarding Your YUM Holdings

REGISTERED SHAREHOLDERS (those who hold YUM shares in their own names) should address communications concerning statements, address changes, lost certificates and other administrative matters to:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: (888) 439-4986
International: (718) 921-8124
www.amstock.com
or
Shareholder Coordinator
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Phone: (888) 298-6986
E-mail: *yum.investor@yum.com*

In all correspondence or phone inquiries, please provide your name and your YUM account number if you know it.

REGISTERED SHAREHOLDERS can access their accounts and complete the following functions online at the website of American Stock Transfer & Trust Company ("AST"): www.amstock.com.

- Access account balance and other general account information
- Change an account's mailing address
- View a detailed list of holdings represented by certificates and the identifying certificate numbers
- Request a certificate for shares held at AST
- Replace a lost or stolen certificate
- Retrieve a duplicate Form 1099-B
- Purchase shares of YUM through the Company's Direct Stock Purchase Plan
- Sell shares held at AST

Access accounts online at the following URL:

https://secure.amstock.com/Shareholder/sh_login.asp. Your account number and Social Security Number are required. If you do not know your account number, please call AST at (888) 439-4986 or YUM Shareholder Coordinator at (888) 298-6986.

BENEFICIAL SHAREHOLDERS (those who hold YUM shares in the name of a bank or broker) should direct communications about all administrative matters related to their accounts to their stockbroker.

LONG TERM INCENTIVE PLAN (LTIP) AND YUMBUCKS PARTICIPANTS (employees with rights to LTIP and YUMBUCKS stock options and stock appreciation rights) should address all questions regarding their accounts, outstanding stock options/stock appreciation rights or shares received through stock option/stock appreciation right exercises to:

Merrill Lynch
Equity Award Services
1400 Merrill Lynch Drive
Mail Stop # NJ2-140-03-40
Pennington, NJ 08534
Phone: (888) 986-4321 (U.S.A., Puerto Rico and Canada)
(609) 818-8156 (all other locations)

In all correspondence, please provide the last 4 digits of your account number, your address, your telephone number and indicate that your inquiry relates to YUM holdings. For telephone inquiries, please have a copy of your most recent statement available.

EMPLOYEE BENEFIT PLAN PARTICIPANTS
Capital Stock Purchase Program (888) 439-4986

YUM Savings Center (888) 875-4015
YUM Savings Center (904) 791-2005 (outside U.S.)
P.O. Box 5166
Boston, MA 02206-5166

Please have a copy of your most recent statement available when calling. Press 0#0# for a customer service representative and give the representative the name of the plan.

Shareholder Services

DIRECT STOCK PURCHASE PLAN A prospectus and a brochure explaining this convenient plan are available from our transfer agent:

American Stock Transfer & Trust Company
P.O. Box 922
Wall Street Station
New York, NY 10269-0560
Attn: Plan Administration Dept.
Phone: (888) 439-4986

FINANCIAL AND OTHER INFORMATION
Securities analysts, portfolio managers, representatives of financial institutions and other individuals with questions regarding YUM's performance are invited to contact:

Steve Schmitt
Vice President, Investor Relations &
Corporate Strategy
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Phone: (502) 874-8006

INDEPENDENT AUDITORS
KPMG LLP
400 West Market Street, Suite 2600
Louisville, KY 40202
Phone: (502) 587-0535

STOCK TRADING SYMBOL-YUM

The New York Stock Exchange is the principal market for YUM Common Stock, which trades under the symbol YUM.

YUM LISTED NYSE

Franchise Inquiries

ONLINE FRANCHISE INFORMATION
Information about potential franchise opportunities is available at www.yumfranchises.com

YUM's Annual Report contains many of the valuable trademarks owned and used by YUM and its subsidiaries and affiliates in the United States and worldwide.

Board of Directors

David C. Novak 61
Chairman and Chief Executive Officer,
Yum! Brands, Inc.

Jing-Shyh S. ("Sam") Su 61
Vice Chairman, Yum! Brands, Inc.
Chairman and Chief Executive Officer,
Yum! Restaurants China

Michael J. Cavanagh 48
Co-Chief Executive Officer,
JP Morgan Chase and Co.'s
Corporate and Investment Bank

David W. Dorman 60
Non-Executive Chairman,
CVS Caremark Corporation
Founding Partner, Centerview Capital

Massimo Ferragamo 56
Chairman, Ferragamo USA, Inc.,
a subsidiary of Salvatore Ferragamo Italia

Mirian M. Graddick-Weir 59
Executive Vice President Human Resources
Merck & Co., Inc.

J. David Grissom 75
Chairman, Mayfair Capital, Inc. and
Chairman, The Glenview Trust Company

Bonnie G. Hill 72
President, B. Hill Enterprises, LLC

Jonathan S. Linen 70
Advisor to Chairman, American Express Company

Thomas C. Nelson 51
Chairman, Chief Executive Officer and President,
National Gypsum Company

Thomas M. Ryan 61
Former Chairman and CEO,
CVS Caremark Corporation

Robert D. Walter 68
Founder and Retired Chairman/CEO,
Cardinal Health, Inc.

Senior Officers

David C. Novak 61
Chairman and Chief Executive Officer,
Yum! Brands, Inc.

Jing-Shyh S. ("Sam") Su 61
Vice Chairman, Yum! Brands, Inc.
Chairman and Chief Executive Officer,
Yum! Restaurants China

Scott O. Bergren 67
Chief Executive Officer, Pizza Hut and
Chief Innovation Officer, Yum! Brands, Inc.

Jonathan D. Blum 55
Senior Vice President, Chief Public Affairs and
Global Nutrition Officer, Yum! Brands, Inc.

Anne P. Byerlein 55
Chief People Officer, Yum! Brands, Inc.

Christian L. Campbell 63
Senior Vice President, General Counsel, Secretary and
Chief Franchise Policy Officer, Yum! Brands, Inc.

Richard T. Carucci 56
President, Yum! Brands, Inc. [1]

Niren Chaudhary 51
President, Yum! Restaurants India

Greg Creed 56
Chief Executive Officer, Taco Bell

Roger Eaton 53
President, KFC and Chief Operations Officer,
Yum! Brands, Inc.

Larry Gathof 52
Vice President and Treasurer, Yum! Brands, Inc.

Patrick Grismer 52
Chief Financial Officer, Yum! Brands, Inc.

Muktesh ("Micky") Pant 59
Chief Executive Officer, KFC

David E. Russell 44
Vice President, Finance and Corporate Controller,
Yum! Brands, Inc.

[1] *Richard T. Carucci will retire as President of Yum! Brands, Inc. in March 2014.*