



DEAR PARTNERS

Since our company was spun off from PepsiCo in 1997, I have had the privilege of leading our quest to become the Defining Global Company that Feeds the World. Over this time, our compound annual shareholder return has been 16% and we have been recognized among elite global companies for our leadership capability, recognition culture and ability to perform across the globe.

Growth opportunities outlined in this report abound at Yum! Brands. Although 2014 results fell short of our expectations, I'm confident our growth model is intact and we are well positioned to deliver at least 10% annual EPS growth on a sustainable basis.

On January 1, I stepped down as CEO and will serve as Executive Chairman and I'm pleased and proud that Greg Creed will be my successor.

Greg has everything it takes to be an outstanding CEO and take our company to the next level. First and foremost, he walks the talk of our culture and will continue to grow and develop it further. Next, he is a visionary business leader with a 20-year track record of success at Yum!. Over the past 9 years, Greg has transformed Taco Bell into an industry leader, elevating its esteem and establishing top-tier customer service levels. He is a breakthrough thinker, launching day parts like Fourth Meal and breakfast, and introducing major product lines such as Doritos® Locos Taco and Cantina Bell. Importantly, Greg has a passion for our global business, with deep international experiences at Unilever and at KFC and Pizza Hut in Australia and New Zealand. He is a well-rounded executive, having previously served as Yum! Brands Chief Operations Officer. There is no doubt in my mind that he is fully qualified and equipped with the knowledge, experience and positive energy we need to lead the company going forward.

In this Annual Report, Greg will share his perspectives on the business and his vision for the company.



David C. Novak
Executive Chairman of the Board,
Yum! Brands, Inc.

CONTENTS

DEAR PARTNERS | 1

CHINA DIVISION | 2-5

KFC DIVISION | 6

PIZZA HUT DIVISION | 7

TACO BELL DIVISION | 8

INDIA DIVISION | 9

ON THE GROUND FLOOR OF
GLOBAL GROWTH | 10-13

HUGE HEART | 14

YUM! FUTURE BACK VISION | 15

YUM! DYNASTY GROWTH MODEL | 16

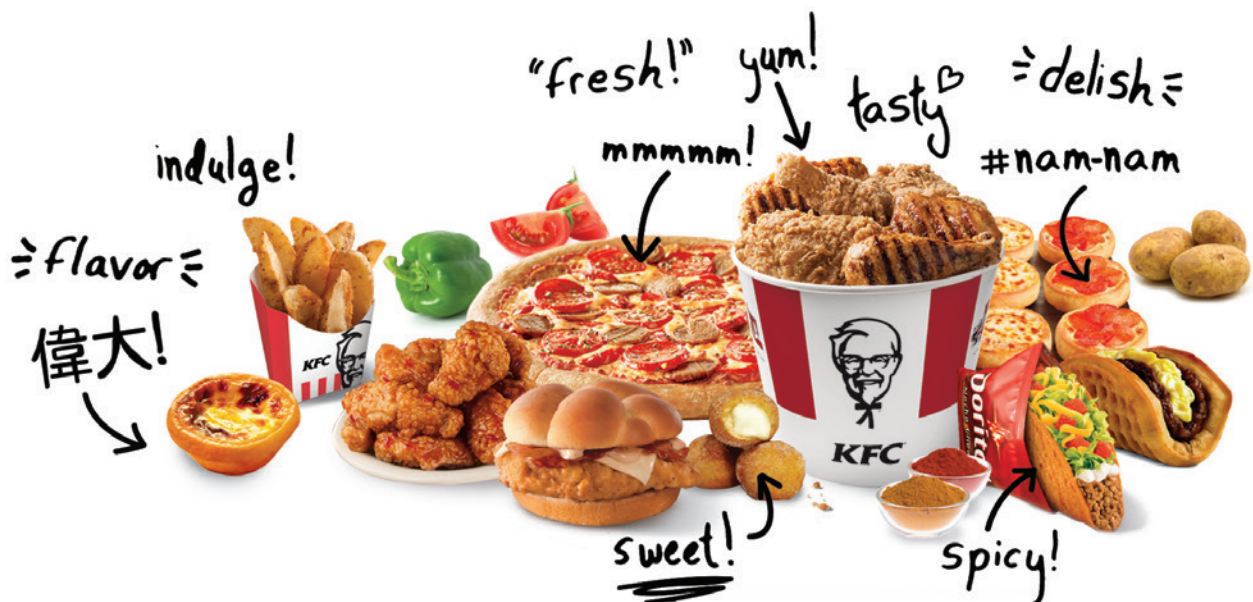
I AM TRULY HONORED...

...and grateful for the opportunity to lead Yum! Brands. As CEO, I am privileged to lead a phenomenal business with **three iconic brands**, vast global infrastructure and the franchise capability necessary to facilitate growth.

In 2014 we grew full-year EPS 4% to \$3.09 per share, excluding Special Items. This was well below our 2014 full-year target of at least 20%. These results were heavily skewed by the challenges handed to our biggest division as we suffered two highly publicized supplier incidents in two years in China. However, we know our brands are resilient and continue to believe this setback is temporary. After our first supplier incident, which negatively impacted 2013, we recovered and delivered strong results in the first half of 2014. Specifically, our China Division operating profit increased 116% and Yum! EPS grew 27% through our first two quarters, prior to Special Items. We were convinced 2014 would be a year of at least 20% EPS growth. The July Shanghai Husi supplier incident changed all that. However, we are fully committed to achieving at least 10% EPS growth in 2015 and I'm confident we have the people and plans in place to deliver double-digit growth going forward.



Greg Creed
Chief Executive Officer,
Yum! Brands, Inc.





CHINA DIVISION

Given our long-term positive outlook for China—and our continued belief that our current sales issues are temporary—we opened **737 new restaurants** across the country in 2014. We continued our disciplined approach to development, shifting our new-unit program toward higher return investments. In 2015, we plan to open 700 more new units in China. In addition to the massive new-unit opportunity we have with KFC and Pizza Hut Casual Dining, we will continue to expand Pizza Hut Home Service as well.

737

New Restaurants
in 2014

I want to assure you our recovery in China is my top priority and all hands are on deck to get the business back on track as soon as possible.

We have a tremendous sales-leverage opportunity as China sales recover and we fully expect to realize this over time. I have great confidence in Sam Su, our Vice Chairman and China division CEO, and his ability to capture this enormous upside and win with even stronger brands in the world's fastest growing economy.

KFC has
4,800
Units in
1,000 Cities

KFC CHINA

KFC is a beloved brand in China with a huge advantage not only in scale, but also in innovation, quality and people capability. As the #1 foreign brand in China, KFC has **4,800 units in 1,000 cities**. This is more than twice the size of our nearest competitor. Although 2014 average unit volumes were 20% off their peak levels, restaurant level margins were a respectable 15%. These fundamentals, even in a challenging year, demonstrate we can open new units with attractive returns for our shareholders. We know we have work to do to regain consumers' trust, and we're making progress. Once we do, the opportunities are tremendous. I have no doubt KFC will be an even stronger leading brand as we evolve our strategy for the changing Chinese consumer, making KFC more contemporary, engaged and connected.



We've learned from other setbacks that we must innovate our way out, and that's what we're doing at KFC China. Our successful menu revamp in the first half of 2014 reinforced the fact that our customers love food innovation. We're going to build on this success and launch two menu revamps in 2015, introducing new products across our menu—breakfast, lunch, dinner and beverages. And as always, we'll continue to offer compelling value. In December, we also started our initial rollout of premium coffee in Shanghai KFC restaurants. The initial results are encouraging and our freshly ground coffee has contributed solidly to our breakfast and afternoon day parts.

Finally, digital customer engagement and mobile ordering innovation will be central to KFC's sales recovery in China. We are applying our know-how across Yum! to elevate KFC's digital offerings. I am excited by the opportunities we have to further enhance how we connect with our customers through these platforms.

PIZZA HUT CHINA

Pizza Hut Casual Dining is recovering more quickly, as it was not as severely impacted by the supplier event as KFC. **With 1,300 restaurants in 350 cities**, we are the number one western casual dining chain in China, with a lead around **6:1 over our nearest competitor**. We offer an extensive menu across many categories and five-star service at a three-star price. This translates to extreme value for our customers and an experience they cannot get anywhere else in China. In 2015, we intend to grow same-store sales through constant innovation of our core offerings while we grow our breakfast and late night business.

Pizza Hut Home Service now has **250 restaurants in 35 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, we're also delivering a full array of Chinese menu options.



Pizza Hut Casual Dining has

1,300

Units in
350 Cities

6:1

Lead Over Nearest
Casual Dining
Competitor

In 2015, we will invest heavily in digital and mobile innovation to further enhance the Pizza Hut Home Service customer experience and grow same-store sales.

Before I move on to our other divisions, I want to provide some details around a further write-down of our investment in **Little Sheep**. We recorded a non-cash Special Item net charge of \$361 million in the fourth quarter of 2014. Acquired in 2012, Little Sheep has clearly fallen well below our expectations and has not yet achieved unit-level economics necessary to justify the expansion we had envisioned for this concept. We have a small, dedicated team focused on improving this business—and pending the outcome of these efforts, we will evaluate our options with Little Sheep later this year.

Despite our recent challenges, we wouldn't trade our position in China with any other restaurant company. Our category-leading brands, combined with a rapidly expanding consuming class, lead us to believe we remain on the ground floor of growth in the world's fastest growing economy.

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 remain separate divisions given their strategic importance and enormous growth potential.





Yum!

Pizza Hut

KFC DIVISION



Turkey



Paraguay



Italy



Globally our KFC business model is incredibly strong. I love the combination of being the emerging markets leader, being franchise led and having a line of sight to double-digit operating profit growth well into the future. KFC delivered a strong year of system sales growth led by emerging markets like Russia, Africa and Thailand and international developed markets like the UK, Continental Europe and Australia. Demonstrating its global power as an iconic brand, KFC set a new record for international development, opening **nearly 670 restaurants**. The new news for KFC is the U.S. business is performing much better. The KFC U.S. business grew same-store sales 6% in the 4th quarter and is poised for its best year in some time. All of this sets up the KFC division for a solid 2015.

As strong as the global business is, I know it can be even better. Our assets are underleveraged. We're going to remedy this by expanding operating hours, leveraging digital and strengthening the core. We also expect the recent improved performance in the U.S. to continue. Micky Pant, our KFC CEO, deserves a lot of credit for breakthrough leadership of this iconic brand. And with its brand positioning of *Always Original*, I'm confident the best is yet to come.

Opened Nearly

670

International
Units in 2014

KFC is a new reporting division and includes all KFC results outside of the China and India divisions.

PIZZA HUT DIVISION

Our global Pizza Hut division capped a year of record-level international development, opening **465 new international units**. We expect to improve on this number in 2015. Our focused brand structure is clearly paying dividends with Pizza Hut development. However, Pizza Hut is more than a new-unit story. In December, we launched our new menu in the U.S. driven by the *Flavor of Now* positioning. I absolutely believe we have the right product and brand positioning.

However, sales were softer than we expected with our initial launch. This is a long-term strategic initiative and we are excited by the fact that people who tried our new pizzas love them—**repurchase intent is greater than 90%**. We are working to drive more customer trial as our advertising campaign evolves to drive sales through sharper product and price offers. I know new Pizza Hut CEO David Gibbs and his team are focused on getting the advertising and pricing right to ensure that their brand-building efforts are a success. We have a long runway ahead of us and are making the decisions necessary to drive future growth in the U.S. and globally.

Opened
465
International
Units in 2014



U.S.



Panama



TACO BELL DIVISION



U.S.



India

Taco Bell had a solid 2014, with strong system sales growth. Our breakfast launch last spring was a success and we continue to report strong margins. We had our strongest rate of new-unit development in more than a decade with **236 new restaurants**. 89% of these new restaurants were opened by franchisees, demonstrating the brand's attractive unit economics. I'm also happy to see our mobile app launch is off to a solid start—we've seen 2 million downloads so far.

I believe a lot of the momentum witnessed at Taco Bell is attributable to its insight-driven *Live Más* brand positioning, product development, advertising and social engagement with core consumers. We are now applying this to KFC and Pizza Hut around the world. And vice versa—all ideas don't have to come from the U.S. or from Taco Bell. For example, we are taking a page from the success of our open-kitchen Taco Bell restaurant in Bangalore, India and are planning to open a similar restaurant in the U.S. in 2015. This sharing of ideas globally is especially important as we work to quickly spread good ideas worldwide. With Taco Bell CEO Brian Niccol at the helm, we expect 2015 to be another robust year at Taco Bell as we focus on expanding our breakfast offering, further leveraging our digital and social engagement platforms, generating more innovation across all day parts and optimizing our presence through next-generation footprints.



Opened

236

Units in 2014

Taco Bell is a new reporting division, which includes all Taco Bell results outside of the India division.



INDIA DIVISION

In India, **system sales increased 14%*** for the year and we sustained a strong pace of development, with **156 new restaurants**. While we are outperforming the category in India, macroeconomic conditions weighed on our overall results. Yum! India President Niren Chaudhary is using this opportunity to strengthen our positioning with consumers as well as our business model. This will set us up for success in a country which is expected to become the largest consumer market in the world.

**India system sales growth excludes Mauritius from the prior year amounts to enhance comparability.*



ON THE GROUND FLOOR OF GLOBAL GROWTH

1,000

International Franchisees

I could not be more confident in the huge growth opportunities ahead for Yum! Brands. We have an **international franchise infrastructure of 1,000 franchisees**, with 40% of our international restaurants owned by franchisees who operate more than one of our brands. We have **focused equity** in key countries, and are growing in **emerging markets** with our franchisees who are investing in the business and generating significant royalties for Yum!. Our divisions are **diversified** with a strong presence in developed markets, a lead in many emerging markets, and global brand control. Our **100% focused teams** are now organized to deliver growth and champion our culture. We also drive know-how sharing across both geographic and brand borders. And with our **massive scale**, we have supply chain purchasing advantages and an ability to create big career opportunities for top talent. Going forward we will further leverage the power of Yum!.

Everything we do will be focused on building three global iconic brands people trust and champion.

I believe this is critical for delivering sustained and aggressive growth and to recover from our challenges. Our powerhouse brands must be boldly focused on the things that matter most to consumers. There are a number of points to this evolution, so let me explain.

KFC and Pizza Hut are clearly global category leaders. And with 250 restaurants outside the U.S. and strong innovation and operating capability, Taco Bell is growing its global presence. Our brands are world renowned and respected, and we will grow them consistently and sustainably when our consumers and stakeholders do two things: **Trust us and Champion us**. I believe they trust us when we are more open, transparent and connected, especially in a world of fast-moving social media and digital innovation. We also know consumers trust us when we put them first in all we do and show an unwavering commitment to food safety and integrity. I believe they champion us when they understand while we are not perfect, we are trying to be better each and every day on



South Africa



Russia

the things they care about in our food, people, community and environment.

Everyone who has worked with me knows I believe only brands with the very best insights will win. Winning means having the courage to go after big ideas that disrupt the status quo and make a distinct impact on the way our brands will grow and build relationships with consumers. To achieve this, I'm proud to share we are establishing a more clear and compelling True North positioning for each brand. For KFC, we're *Always Original*. For Pizza Hut, we're *Bringing More Flavor to Life*, expressed as *The Flavor of Now* and for Taco Bell, it's *Live Más*. I couldn't be more excited about the clarity and relevance of this distinctive positioning and the growth strategies that are setting us up to carve out an even more relevant place in the lives of our consumers. As I mentioned, I'm committed to the same high standards of performance and innovation we've established over the past 17 years. So going forward, I expect our brands to behave in a way that:

- Is **Innovative** and **Elevating**
- Offers **Value** while demonstrating our **Values**
- Is **Disruptive** but **Distinctive**
- Is **Genuine** and **Transparent**

These are our brand filters. They act as our compass, directing our path to building three global iconic brands people trust and champion. I believe KFC, Pizza Hut and Taco Bell are truly on the ground floor of global growth and the power of Yum! is stronger than ever. I know we have the right structure with 100% brand focused teams, digital innovation, know-how sharing, operating capability and franchise economics to deliver strong value and performance for our shareholders over the long term.



U.S.



France



U.S.

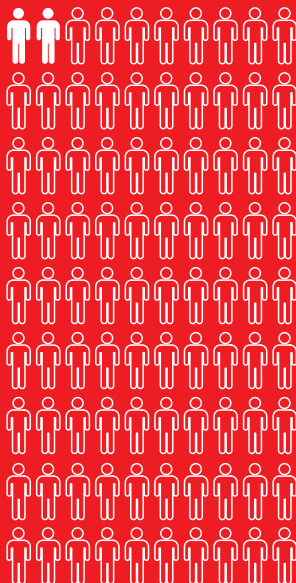
57

Yum! Restaurants Per Million
People in the U.S.



2

Yum! Restaurants Per Million People
in the Top Ten Emerging Markets



When you consider the growth opportunity we have with our brands, and the cash we return to our investors, we believe our company is set up to provide compelling total shareholder return over the long run. And we continue to drive the three things that create shareholder value in retail:

NEW-UNIT DEVELOPMENT

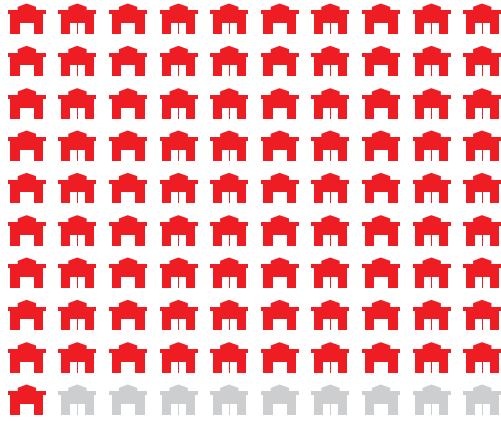
Our new-unit development opportunity in China and other emerging markets remains the best in retail. We plan to open 2,000+ new international restaurants in 2015, 90% of which will be opened by our franchisees.

SAME-STORE SALES GROWTH

We have over 41,000 underleveraged assets with significant capacity to grow. We're growing our brands with a powerful combination of new sales layers, expanded day parts, menu innovation, digital platform development and strong value.

HIGH RETURNS

Our return on invested capital has consistently been among the best in the retail industry. We generate nearly \$2 billion in annual franchise fees and concentrate our investments in high-growth, high-return businesses. We've announced plans to take our franchise mix outside of China and India from 91% to about 95% over the next three years through the combination of selective refranchising and franchise development. These actions, along with our expected China sales recovery, should boost our return on invested capital further.



91%

of Restaurants Outside
China and India are
Franchise Owned

Finally, we have a strong track record of returning significant amounts of cash to our shareholders in the form of dividends and share buybacks. Over the last 5 years, we've repurchased 61 million shares, representing a 13% reduction in outstanding shares. We also have a meaningful and growing dividend. In 2014, we increased our dividend 11%, marking the 10th consecutive year we've increased our dividend at a double-digit rate, **one of only 12 companies in the S&P 500 to do so.**



HUGE HEART

Last but not least, I want you to know I am proud of the way our three iconic brands come together to show we're a company with a Huge Heart—opening doors, growing people and truly caring about the world. Leading the world's largest private sector hunger relief effort, we set the bar high every year in support of World Hunger Relief. We surpassed our own bold goal this year, raising **\$40 million in cash and food donations** for the United Nations World Food Programme and hunger relief agencies. Since 2007, our efforts have raised \$600 million in cash and food donations resulting in **2.4 billion meals** going to people in need. Hunger is the world's most solvable problem and together we are making a meaningful difference in peoples' lives.



Haiti



Singapore

I am equally as pleased that KFC, Pizza Hut and Taco Bell have meaningful community engagement efforts that positively impact the local communities where they live and work. Considering our collective impact, Yum! Brands, Inc. was named among the **100 Best Corporate Citizens by *Corporate Responsibility Magazine***. We were the only restaurant company that made the list. And trust me, we are going to get better and more courageous every day at delivering the high quality, high integrity contributions our consumers most care about in our food, people, communities and environment. I invite you to view our progress in our online Corporate Social Responsibility report, at www.yumcsr.com.

Thank you to all of our team members, restaurant general managers, franchisees, community partners and restaurant support leaders who make this company so unique in its passion for feeding the world. I also want to thank our Board of Directors, with special gratitude to David Grissom, who has retired from our Board after a number of years of dedicated service. At the same time, I want to welcome Elane Stock to the Board.

After reading this Annual Report, I hope you clearly see the strength of our business and the growth opportunities before us to build three global iconic brands people trust and champion.

Cheers,

A handwritten signature in black ink, appearing to read 'Greg'.

Greg Creed
Chief Executive Officer, Yum! Brands

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

With a Foundation Built on Winning Food and World Class Operations

Drive Aggressive Unit Expansion Everywhere, Especially in Emerging Markets

Build Leading Brands in Every Significant Category in China and India

Create Industry Leading Returns Through Franchising and Disciplined Use of Capital

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 20, 2015

Dear Fellow Shareholders:

On behalf of your Board of Directors, we are pleased to invite you to attend the 2015 Annual Meeting of Shareholders of YUM! Brands, Inc. The Annual Meeting will be held Friday, May 1, 2015, 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, 2015 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
Executive Chairman

Greg Creed
Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on May 1, 2015—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

Friday, May 1, 2015 9:00 a.m.

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

ITEMS OF BUSINESS:

- (1) To elect twelve (12) directors to serve until the 2016 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 26, 2015.
- (3) To consider and hold an advisory vote on executive compensation.
- (4) To consider and vote on one (1) shareholder proposal, if properly presented at the meeting.
- (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, 2015.

ANNUAL REPORT:

A copy of our 2014 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 20, 2015.

By Order of the Board of Directors



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 20, 2015, 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.

Table of Contents

PROXY STATEMENT	1
QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING	1
GOVERNANCE OF THE COMPANY	5
MATTERS REQUIRING SHAREHOLDER ACTION	14
ITEM 1 Election of Directors and Director Biographies (Item 1 on the Proxy Card)	14
ITEM 2 Ratification of Independent Auditors (Item 2 on the Proxy Card)	20
ITEM 3 Advisory Vote on Executive Compensation (Item 3 on the Proxy Card)	21
ITEM 4 Shareholder Proposal regarding a Policy on Accelerated Vesting upon a Change in Control (Item 4 on the Proxy Card)	22
STOCK OWNERSHIP INFORMATION	25
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE AND LEGAL PROCEEDINGS	27
EXECUTIVE COMPENSATION	28
Compensation Discussion and Analysis	28
Summary Compensation Table	46
All Other Compensation Table	47
Grants of Plan-Based Awards	48
Outstanding Equity Awards at Year-End	50
Option Exercises and Stock Vested	52
Pension Benefits	53
Nonqualified Deferred Compensation	55
Potential Payments Upon Termination or Change in Control	58
DIRECTOR COMPENSATION	61
EQUITY COMPENSATION PLAN INFORMATION	63
AUDIT COMMITTEE REPORT	65
ADDITIONAL INFORMATION	67

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

PROXY STATEMENT

For Annual Meeting of Shareholders To Be Held On

May 1, 2015

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 Friday, May 1, 2015, 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 20, 2015, 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, 2015, 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, 2015. Each share of YUM common stock is entitled to one vote. As of March 3, 2015, YUM had 433,394,412 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 twelve (12) 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 26, 2015;
- An advisory vote on executive compensation; and
- One (1) shareholder proposal.

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
- **AGAINST** the shareholder proposal.

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, 2015. 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, 2015.

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, 2015.

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, 2015;

- 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 twelve (12) 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 2015 (Item 2);
- **FOR** the proposal regarding an advisory vote on executive compensation (Item 3); and
- **AGAINST** the shareholder proposal (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 2015 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, 2015, 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. Abstentions and broker non-votes will not affect the outcome of the vote on directors. 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 7 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

- 12 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
- No Hedging or Pledging of Company Stock

Shareholder Rights

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

Compensation

- Independent Management Planning and Development Committee
- Independent Compensation Consultant
- 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
- Amended and Restated Compensation Recovery Policy - "Clawback" Provisions apply to Equity and Bonus Awards
- Double trigger vesting upon Change in Control
- No excise tax gross ups

Proxy Statement

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

Our Board of Directors presently consists of 13 directors whose terms expire at this Annual Meeting. Ms. Hill 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 12 current directors standing for re-election are independent under the rules of the New York Stock Exchange ("NYSE"). Michael Cavanagh will become independent on May 15, 2015. See page 9 regarding discussion of Mr. Cavanagh becoming independent.

How often did the Board meet in fiscal 2014?

The Board of Directors met 6 times during fiscal 2014. 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 all 12 directors on the Board during the 2014 Annual Meeting were in attendance.

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.

Elane B. Stock was appointed to the Board effective November 20, 2014. She is standing for election to the Board by our shareholders for the first time. The full Board is recommending her election as a director.

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 2016 Annual Meeting, a shareholder must notify YUM's Secretary no later than February 1, 2016. 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 67.

What is the Board's leadership structure?

The Company's Principles provide that the CEO may serve as Chairman of the Board. These Principles also provide for

an independent Lead Director. Our Board believes that Board independence and oversight of management are

effectively maintained through a strong independent Lead Director and through the Board's composition, committee system and policy of having regular executive sessions of non-employee directors, all of which are discussed below this section.

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. The Board retains the authority to modify its Board leadership structure to address our Company's circumstances and advance the best interests of the Company and its stockholders as and when appropriate. The Board's annual self-evaluation includes questions regarding the Board's opportunities for open communication and effectiveness of executive sessions.

David Novak served as Chairman of the Board and CEO of the Company until January 1, 2015. As discussed in more detail in last year's Proxy Statement, the Board believed that combining these positions served the best interests of the Company.

Effective January 1, 2015, the Board appointed Greg Creed as CEO to succeed Mr. Novak. Contemporaneous with this appointment, the Board appointed Mr. Novak Executive Chairman. Under this structure, Mr. Creed is responsible for leading the Company's strategies, organization design, people development and culture and for providing the day-to-day leadership over operations, while Mr. Novak is

responsible for supporting the CEO on corporate strategy, innovative business and brand building ideas along with leadership development. As Executive Chairman, Mr. Novak also takes leadership working with our Lead Director in setting the agenda for meetings of the Board and presides over Board meetings. The Board believes that, given the proven leadership capabilities, breadth of industry experience and business success of both Mr. Creed and Mr. Novak as well as taking into consideration that Mr. Creed is new to the CEO role, the Company is best served at this point in time with a leadership structure that separates the roles of CEO and Chairman of the Board.

The Board created a new position of Lead Director in August 2012, 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. The Board has appointed Thomas Ryan to serve as the Lead Director, and has 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. These charters comply with 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.
- **Ethical Guidelines.** 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 of Conduct 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.

What is the Board's role in risk oversight?

The Board maintains overall responsibility for overseeing the Company's risk management, including succession planning. 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 and the General Counsel. Our Chief Auditor reports directly to the Chairman 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 and meets in separate executive sessions with our independent auditors and our Chief Auditor. 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 28, 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 early 2015, the Management Planning and Development Committee (the "Committee") oversaw the 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 our compensation policies and practices do not encourage our employees to take unnecessary or excessive risks.

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

- 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

- Strong stock ownership guidelines are enforced for approximately 400 senior employees
- The annual incentive and performance share plans both have caps on the level of performance over which no additional rewards are paid
- The annual incentive target setting process is closely linked to the annual financial planning process and supports the Company's overall strategic plan, which is reviewed and approved by the Board
- Compensation performance measures set for each division are transparent and tied to multiple measurable factors, none of which exceed a 50% weighting. The measures are drivers of returns and are transparent to shareholders
- The 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 financial performance which determines employee awards is closely monitored by and certified to the Audit Committee and the full Board
- The Company has implemented a robust recoupment (clawback) policy

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, Greg Creed, Jing-Shyh S. Su and Michael J. Cavanagh. Messrs. Novak, Creed and Su are not

considered independent directors because of their employment by the Company. Under NYSE rules, Mr. Cavanagh cannot be considered independent until May 15, 2015 because Mr. Novak formerly served on the Compensation Committee of JPMorgan Chase & Co., where Mr. Cavanagh was 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, Linen, Nelson, Ryan and Walter and Meses. Graddick-Weir and Hill had no other relationship with the Company other than their relationship as a director. The Board did note as discussed in the next paragraph that Kimberly-Clark Corporation, which employs Ms. Stock, has a business relationship with the Company; however, as noted below, the Board determined that this relationship was not material to the director or Kimberly-Clark Corporation.

Elane B. Stock is the Group President of Kimberly-Clark International, a division of Kimberly Clark Corporation. During 2014, the Company paid Kimberly-Clark Corporation approximately \$2.6 million for paper products used in the normal course of business in some of its restaurants. The Board determined that these payments did not create a

material relationship between the Company and Ms. Stock or the Company and Kimberly-Clark Corporation as the payments represent less than one-tenth of 1% of Kimberly-Clark Corporation's revenues. The Board determined that this relationship was not material to Ms. Stock or Kimberly-Clark Corporation.

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 2014
Audit: Thomas C. Nelson, <i>Chair</i> Mirian M. Graddick-Weir Bonnie G. Hill Jonathan S. Linen Elane B. Stock*	<ul style="list-style-type: none"> • 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 8. 	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.

*Elane B. Stock became an Audit Committee member effective January 22, 2015.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2014
Management Planning and Development: Robert D. Walter, <i>Chair</i> David W. Dorman Massimo Ferragamo Thomas M. Ryan	<ul style="list-style-type: none"> • 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.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2014
Nominating and Governance: Thomas M. Ryan, <i>Chair</i> David W. Dorman Massimo Ferragamo Robert D. Walter	<ul style="list-style-type: none"> 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.

Name of Committee and Members	Functions of the Committee	Number of Meetings in Fiscal 2014
Executive/Finance: David C. Novak, <i>Chair</i> Thomas C. Nelson Thomas M. Ryan Robert D. Walter	<ul style="list-style-type: none"> 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 61.

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 43.

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 and Director Biographies (Item 1 on the Proxy Card)

Who are this year's nominees?

The twelve (12) nominees recommended by the Nominating and Governance Committee of the Board of Directors for election this year to hold office until the 2016 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 12. Director ages are as of the date of this proxy statement.



Michael J. Cavanagh

Age 49

Director Since 2012

Co-President and
Co-Chief Operating Officer
The Carlyle Group

Michael J. Cavanagh is Co-President and Co-Chief Operating Officer for The Carlyle Group, a global investment firm. He has held this position since 2014. He is also a member of the Executive Group and Management Committee of The Carlyle Group. Prior to this, Mr. Cavanagh was the Co-Chief Executive Officer of the Corporate & Investment Bank of JPMorgan Chase & Co. from 2012 until 2014. 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 president and chief operating officer of a global investment firm
- Expertise in finance and strategic planning



Greg Creed

Age 57

Director Since 2014

Chief Executive Officer, YUM

Greg Creed is Chief Executive Officer of YUM. He has served in this position since January 2015. He served as Chief Executive Officer of Taco Bell Division from January 2014 to December 2014 and as Chief Executive Officer of Taco Bell U.S. from 2011 to December 2013. Prior to this position, Mr. Creed served as President and Chief Concept Officer of Taco Bell U.S., a position he held beginning in December 2006. Mr. Creed served as Chief Operating Officer of YUM from 2005 to 2006. He has served as a director of International Games Technology since 2010.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

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



David W. Dorman

Age 61

Director Since 2005

Non-Executive
Chairman, CVS
Health Corporation

David W. Dorman is the Non-Executive Chairman of the Board of CVS Health Corporation (formerly known as 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., Georgia Tech Foundation and eBay Inc. 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 57

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 60

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
- Independent of Company



Jonathan S. Linen

Age 71

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 52

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 Director of Carolinas Healthcare System and as lead Director of Belk, Inc. Effective January 2015, Mr. Nelson will serve as a director for the Federal Reserve Bank of Richmond.

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 62

Director Since 1997

Executive Chairman,
YUM

David C. Novak has been Executive Chairman of the Board since January 1, 2015. Prior to this, Mr. Novak was Chairman of the Board from 2001 to 2014, and Chief Executive Officer of YUM from 2000 to 2014. 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 62

Director Since 2002

Former Chairman and
CEO, CVS Health
Corporation

Thomas M. Ryan is the former Chairman and Chief Executive Officer of the Board of CVS Health Corporation, formerly known as CVS Caremark Corporation ("CVS"), a pharmacy healthcare provider. He served as Chairman from April 1999 to May 2011. He was Chief Executive Officer of CVS 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 Vantive, 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



Elane B. Stock

Age 50
 Director Since 2014
 Group President
 Kimberly-Clark
 International

Elane B. Stock is Group President of Kimberly-Clark International, a division of Kimberly-Clark Corporation, a leading consumer products company. She has held this position since 2014. From 2012 to 2014 she was the Group President for Kimberly-Clark Professional. Prior to this role, Ms. Stock was the Chief Strategy Officer from 2010, when she first joined Kimberly-Clark, to 2012.

SPECIFIC QUALIFICATIONS, EXPERIENCE, SKILLS AND EXPERTISE:

- Global operating and management experience, including as group president of a consumer products company
- Expertise in branding, marketing, sales, strategic planning and international business development
- Independent of Company



Jing-Shyh S. Su

Age 62
 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 69
 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 also 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 2016 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 7 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 2015. The Audit Committee of the Board of Directors has selected KPMG to audit our consolidated financial statements. During fiscal 2014, 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 2014 and 2013?

The following table presents fees for professional services rendered by KPMG for the audit of the Company’s annual financial statements for 2014 and 2013, and fees billed for audit-related services, tax services and all other services rendered by KPMG for 2014 and 2013.

	2014	2013
Audit fees ⁽¹⁾	\$6,788,000	\$6,340,000
Audit-related fees ⁽²⁾	615,000	360,000
Audit and audit-related fees	7,403,000	6,700,000
Tax fees ⁽³⁾	438,000	980,000
All other fees	—	—
TOTAL FEES	\$7,841,000	\$7,680,000

⁽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.

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

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/medialgov_auditpolicy.pdf.

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 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 46 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.

In deciding how to vote on this proposal, we urge you to read the Compensation Discussion and Analysis section of this proxy statement, beginning on page 28, which discusses in detail how our compensation policies and

procedures operate and are designed to meet our compensation goals and how our Management Planning and Development Committee makes compensation decisions under our programs.

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 Named Executive Officers, 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 Management Planning and Development 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 2016 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 Shareholder Proposal Regarding A Policy On Accelerated Vesting Upon A Change In Control (Item 4 on the Proxy Card)

What am I voting on?

Amalgamated Bank's LongView LargeCap 500 Index Fund has advised us that it intends to present the following shareholder proposal at the Annual Meeting. We will furnish the address and share ownership of the proponent upon request.

Accelerated Vesting

RESOLVED: The shareholders ask the board of directors to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration in the vesting of equity awards to senior executives, provided, however, that the board's Compensation Committee may provide in an applicable grant or purchase agreement that any such unvested award will vest on a partial, *pro rata* basis up to the time of the senior executive's termination, with such qualifications for an award as the Committee may determine.

For purposes of this policy, "equity award" means an award granted under an equity incentive plan as defined in Item 402 of the SEC's Regulation S-K, which identifies the elements of executive compensation to be disclosed to shareholders. This resolution shall be implemented so as not to affect any contractual rights in existence on the date this policy is adopted.

SUPPORTING STATEMENT

Yum! Brands grants senior executives several types of equity awards that normally vest over several years. The company states in its 2014 proxy that 80% of compensation is "at-risk," where the compensation paid is determined based on the achievement of specified results." The proxy goes on to state, "We believe that all of our long-term incentive compensation is performance-based." However, restrictions on the vesting of unearned equity awards are

removed or "accelerated" if there is a change in control at the Company and if, as to more recent equity awards, an executive employment is involuntarily terminated.

We do not question that some form of severance payments may be appropriate in a change-in-control situation. Indeed, the Company already has provisions for severance payments to senior executives in the event of a change in control. We are concerned, however, that the Company's current policies may permit windfall equity awards that are unrelated to a senior executive's performance.

According to last year's proxy statement, a change in control at the end of 2013, along with an executive's termination, could have accelerated the vesting of \$22 million in unearned equity for David C. Novak, the Chairman and CEO, and at least \$6.2 million for other senior executives.

We are unpersuaded that if a change in control should occur, even with an involuntary termination, then an executive somehow "deserves" unearned equity that he or she did not earn. To accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn them seems inconsistent with a "pay for performance" philosophy worthy of the name.

We do believe, however, that any acceleration of unearned equity should be limited to acceleration on a *pro rata* basis as of the executive's termination date, with the details of any *pro rata* award to be determined by the Compensation Committee.

Other companies have adopted limitations on accelerated vesting of unearned equity, including Apple, ExxonMobil, Chevron, Intel, Microsoft, and Occidental Petroleum.

We urge you to vote FOR this proposal.

Management Statement in Opposition to Shareholder Proposal

What is the Company's position regarding this proposal?

The Board of Directors recommends that shareholders vote AGAINST this proposal.

YUM employs an effective pay-for-performance compensation program with many governance best practices, including requiring double-trigger accelerated vesting of equity awards upon a change in control. We believe the elements of our program are appropriate and serve the best interests of our shareholders. The Proponent's proposal is unnecessary because our double-trigger vesting practice does not create a "windfall" for our executives, but aligns executive and shareholder interests. Our practice fosters a sense of stability for the executive so that he or she may remain objective and focused while leading the Company during a critical and uncertain time, and maintains our competitive edge when attracting and retaining high caliber talent. In fact, we believe implementing the Proponent's proposal will misalign executive and shareholder interests and incentivize executives to pursue transactions or outcomes that are not in the long-term interest of shareholders, or in the case of a potential change in control, may incentivize the executive to leave the Company.

Our double-trigger accelerated vesting practice does not create a windfall for our executives.

We implemented double-trigger accelerated vesting in the event of a change in control in 2013, based on shareholder feedback received in 2012. Pursuant to our double-trigger accelerated vesting practice, for awards made in 2013 and beyond, an executive's outstanding awards will only fully and immediately vest if the executive is (1) employed on the date of a change in control of the Company *and* (2) is then involuntarily terminated without cause on or within two years following the change in control by the surviving entity. No windfall is created since an executive will not receive accelerated vesting just because a change in control has occurred, nor if he or she leaves voluntarily or is terminated with cause.

Our double-trigger accelerated vesting treatment of equity awards aligns executive and shareholder interests during uncertain times.

Change in control transactions often mean a lengthy period of uncertainty for the Company and its executives during a

time when the Company and its shareholders need executives to avoid distraction and operate at their best. The Proponent's proposal, which contemplates that equity vest on a pro-rata basis based on the period of time the executive is employed with the surviving entity, does not serve this need. Under the Proponent's proposal, even after leading the Company through a critical time, the executive would have the expectation of the loss of a portion or all of the value of any award granted after the Proponent's proposal is implemented. Importantly, this loss expectation will misalign executive and shareholder interests and incentivize executives to pursue transactions or outcomes that are not in the long-term interest of shareholders, or in the case of a potential change in control, may incentivize the executive to leave the Company.

On the other hand, the Company has a pay philosophy with a high emphasis on long-term incentive compensation (currently, 70% of CEO's compensation and 50% of other NEOs' compensation). The executive's long-term incentive pay only creates value when the Company's stock price increases and with favorable shareholder expectations. Therefore, we believe our practice of double trigger acceleration is an appropriate and powerful incentive for an executive to remain focused and vigilant in achieving a strategic transaction that maximizes shareholder value. It avoids conflicts of interest that could arise while leading a significant organizational change and, importantly, will help retain management during the uncertainties of a change in control.

Implementing Proponent's proposal will put the Company at a competitive disadvantage.

We compete for talent with our peers and must have a competitive compensation program to attract, retain and motivate executives. Implementing the Proponent's proposal puts the Company's competitive edge at risk because double-trigger accelerated vesting is a dominant governance practice. We benchmarked this practice well before implementation and it is employed by many of our peer companies. If we must implement the Proponent's pro-rata vesting proposal, we are at risk of losing our executives to competitors and not attracting new high caliber talent.

Why does the Company oppose the proposal?

In short, the Board believes that the Company's current executive compensation program and employment of double-trigger accelerated vesting of all unvested awards is appropriate and effective by aligning the interests of our executives and our shareholders and maintaining our ability to compete for and retain talented executives. Adoption of

the Proponent's proposal could potentially impact our ability to deliver maximum value to our shareholders during a most critical time.

For the reasons above, the Board of Directors recommends you vote AGAINST this proposal.

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 AGAINST this proposal.

STOCK OWNERSHIP INFORMATION

Who are our largest shareholders?

This table shows ownership information for each YUM shareholder known to us to be the owner of 5% or more of YUM common stock. This information is presented as of December 31, 2014, and is based on a stock ownership report on Schedule 13G filed by such shareholders with the SEC and provided to us.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Vanguard 100 Vanguard Blvd. Malvern, PA 19355	23,009,091 ⁽¹⁾	5.25%
Blackrock Inc. 55 East 52 nd Street New York, NY 10022	21,914,678 ⁽²⁾	5%

⁽¹⁾ The filing indicates sole voting power for 759,979 shares, sole dispositive power for 22,307,722 shares and shared dispositive power for 701,369 shares.

⁽²⁾ The filing indicates sole voting power for 18,308,022 shares, shared voting power of 19,740 shares, sole dispositive power of 21,894,938 shares and shared dispositive power of 19,740 shares.

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, 2014 by

- each of our directors,
- each of the executive officers named in the Summary Compensation Table on page 46, 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, 2014. Included are shares that could have been acquired within 60 days of December 31, 2014 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					Total
	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⁾	
David C. Novak	328,796	1,415,552	1,334,279	3,078,627	1,083,785	4,162,412
Michael J. Cavanagh	10,000	162	—	10,162	7,379	17,541
David W. Dorman	56,901	10,574	—	67,475	5,254	72,729
Massimo Ferragamo	53,429	10,574	43,130	107,133	34,532	141,665
Mirian M. Graddick-Weir	—	411	—	411	9,681	10,092
Bonnie G. Hill	3,855	15,630	11,961	31,446	17,263	48,709
Jonathan S. Linen	28,054 ⁽⁵⁾	15,630	—	43,684	35,641	79,325
Thomas C. Nelson	8,288	5,610	—	13,898	36,051	49,949
Thomas M. Ryan	37,243 ⁽⁶⁾	15,630	4,587	57,460	30,287	87,747
Elane B. Stock	—	—	—	—	2,494	2,494
Robert D. Walter	108,301	6,914	—	115,215	23,586	138,801
Jing-Shyh S. Su	380,101 ⁽⁷⁾	1,331,590	—	1,711,691	214,664	1,926,355
Patrick J. Grismer	19,558 ⁽⁸⁾	119,328	—	138,886	24,926	163,812
Greg Creed	38,681	303,372	1,748	343,801	61,950	405,751
Scott O. Bergren	36,897	271,842	4,618	313,357	67,125	380,482
All Directors and Executive Officers as a Group (21 persons)	1,195,291	4,639,136	1,492,203	7,326,630	2,003,171	9,329,801

(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, 33,132 shares
- Mr. Grismer, 7,957 shares
- all executive officers as a group, 51,160 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 shown 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) The amounts shown 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 directorship/employment or (b) after 60 days. 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 23,616 shares held in a trust.

(6) These shares are held in a trust.

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

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

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE 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 2014.

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 appeal of the dismissal of a related securities class action suit against the Company and certain executive officers. The derivative actions and the securities class action suit are described in the Company's Annual Report on Form 10-K for the year ended December 27, 2014 in *Part 1, Item 3, Legal Proceedings and Note 18, 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”) focuses on the compensation of the following Named Executive Officers (“NEOs”) for 2014 and describes our executive compensation philosophy and program, the decisions of the Management Planning and Development Committee (the “Committee”) under this program and factors considered in making those decisions.

Name	Title
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 Division
Scott O. Bergren	Chief Executive Officer of Pizza Hut Division and Chief Innovation Officer of YUM

We will first provide a brief executive overview, including a discussion of the pay of YUM's new Chief Executive Officer (“CEO”), Greg Creed, which became effective January 1, 2015.

We will then discuss and analyze the following topics:

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

Executive Overview

In 2014, YUM's overall performance was below expectations. Although we experienced strong earnings growth in the first half of the year, we did not achieve our full-year earnings per share growth target, as second-half results for our China division were heavily impacted by adverse supplier publicity.

While these overall results were disappointing, YUM delivered strong results in the following areas, which built long-term shareholder value and enhanced shareholder returns:

- Opened a record 2,034 new restaurants outside the U.S., with 80% of this development occurring in high-growth emerging markets. Over 80% of new restaurants in the KFC, Pizza Hut and Taco Bell divisions were opened by franchisees, generating high returns for YUM.

- The KFC division grew same-store sales 3% and operating profit 9% through robust international performance and an improving US business.
- The Taco Bell division launched breakfast, a new value menu, innovative products and mobile ordering, fueling 3% same-store sales growth and 5% operating profit growth.
- Increased quarterly dividend by 11%, marking the tenth consecutive year of dividend increases at a double-digit percentage rate.

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 after year.

YUM's compensation philosophy for the NEOs is reviewed annually by the Committee, and has the following 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 value creation** — 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

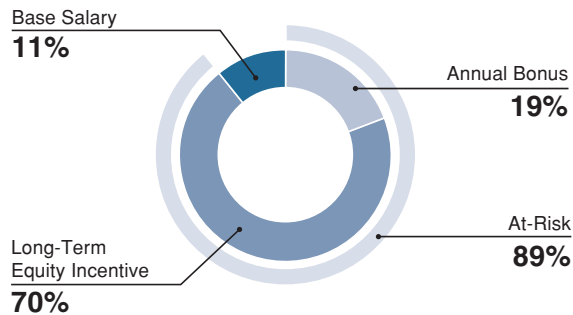
Rights/Options ("SARs/Options") reward for value creation which over time is a function of our results and the favorable expectations of our shareholders. Performance Share Unit ("PSU") awards reward for superior relative performance as compared to the S&P 500. Both vehicles encourage executives to grow 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 a substantial amount of 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 be competitive and to motivate and reward high performers.

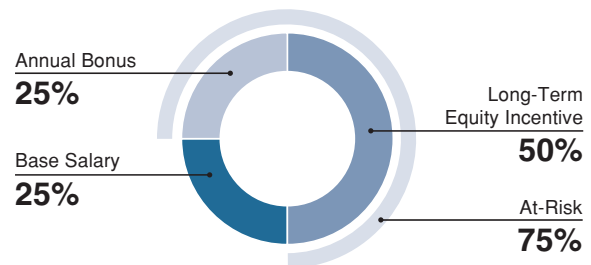
Relationship between Company Pay and Performance

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" pay, where the compensation paid is determined based on Company 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—2014

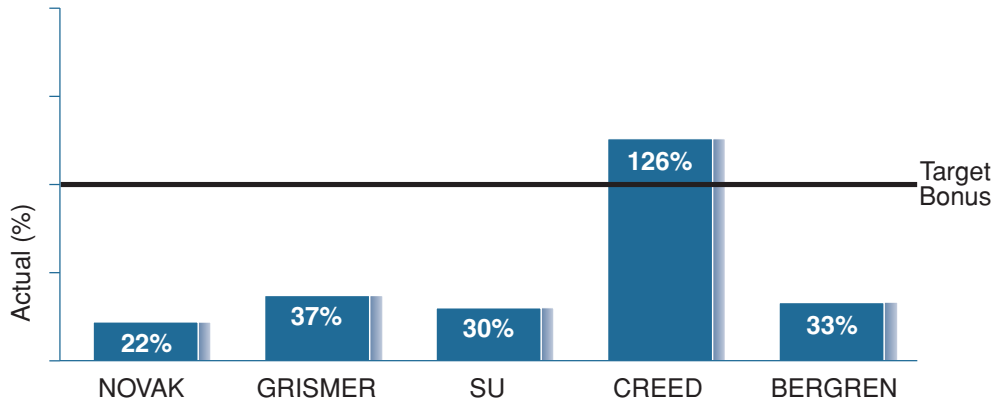


ALL OTHER NEO TARGET PAY MIX—2014



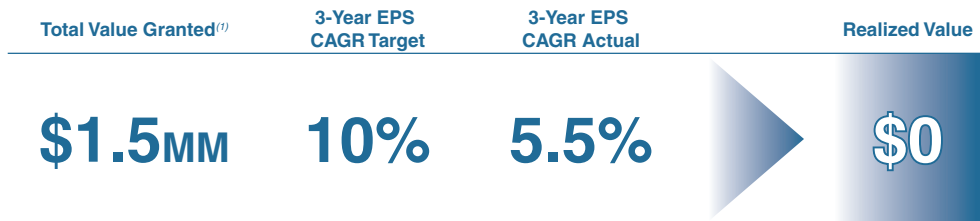
Based on the Company's 2014 performance, cash compensation was significantly below target. This was primarily due to below target results at our China and Pizza Hut divisions. Cash compensation (base salary and annual bonus) was 48% below target for the CEO and on average 24% below target for the other NEOs. As shown to the right, bonus payouts to four out of the five NEOs were below target.

NEO ACTUAL BONUS VS. TARGET



Long-term incentive grants are valued based on grant date value and are meant to be incentive opportunities based on future performance. Therefore, values in the Summary Compensation Table do not represent the value that may ultimately be realized by the executive. Realized value will be determined by actual performance over succeeding years. This means that, consistent with our pay-for performance philosophy, in the case of SARs/Options, our stock price must increase and, in the case of PSUs, we must attain certain performance thresholds before our executives realize any value. As shown below, our 2011 PSU award under our Performance Share Plan did not pay out to our NEOs in 2014 since the earnings per share compound annual growth rate ("EPS CAGR") during the 2011 – 2013 performance cycle did not reach the required minimum threshold of seven percent (see discussion of PSUs at page 41).

ALL NEO PSU VALUE FOR 2011 – 2013 PERFORMANCE CYCLE



⁽¹⁾ Amount is the sum of the grant date values awarded to each NEO, rounded to the nearest \$25,000 as follows: Mr. Novak (\$773,000), Mr. Su (\$325,000), Mr. Creed (\$205,000), and Mr. Bergren (\$190,000). Mr. Grismer did not receive a PSU grant in 2011. He began participating in the Performance Share Plan in 2012.

Compensation Changes for 2015

The Committee did not make any significant changes to its compensation policies to take effect in 2014; however, in May 2014 as discussed at page 7, the Company announced that effective January 1, 2015, Mr. Novak would retire as the Company's CEO. As a result, Mr. Creed became the Company's new CEO and Mr. Novak became the Company's Executive Chairman. Thus, the Committee made significant compensation changes for 2015, including changes to CEO pay. These changes, described below, continue to reinforce the pay-for-performance objective that our compensation programs have demonstrated for many years.

- **CEO pay will be consistent with our executive compensation philosophy for our other NEOs.** The Committee has determined that Mr. Creed's compensation as CEO beginning in 2015 will target the 50th percentile for base salary, 75th percentile for annual bonus and 50th percentile for long-term incentive compensation, which is consistent with our philosophy for our other NEOs. Because Mr. Creed is new to his role, for 2015 the Committee set Mr. Creed's total direct compensation below the median of our Executive Peer Group, as shown in the chart set forth below.

	2015 Benchmarking Philosophy	2015 CEO Pay	2015 CEO Pay vs. Peer Group
Base	50 th percentile	\$1,100,000	<50 th percentile
Target Bonus	75 th percentile	\$1,650,000	50 th percentile
Long-Term Incentive	50 th percentile	\$4,300,000	<50 th percentile

- **Executive Chairman pay will target median compensation philosophy.** Based on the Committee's review of a variety of external and internal factors, the Committee will target total compensation and set pay at the 50th percentile for Mr. Novak in his new role as Executive Chairman. His pay will align with benchmarking data for the Executive Chairman position, which was based on executive chairs in the Fortune 250 who were not founders of their companies. Based on this philosophy, the Committee set Mr. Novak's total target compensation for 2015 at \$5 million, setting his salary at \$1 million, bonus target at 100% of salary and long-term incentive pay (split 75% SARs and 25% PSUs) at an economic value of \$3 million. In making this decision, the Committee took into consideration Mr. Novak's responsibilities as described at page 7 and his expected substantial contribution to the Company in 2015 including supporting Mr. Creed, as the Company's new CEO.
- **Updated the Company's Executive Peer Group.** The Committee removed Office Max, Darden and JC Penney and added Starwood, Hilton, Office Depot and Kraft to the Executive Peer Group (as defined on page 35) in order to better align the size of the peer group companies with YUM.
- **Reduced ownership guidelines to align with market best practice.** Our ownership guidelines in effect for 2014 are described at page 43. The Committee determined it was appropriate to lower the guidelines beginning in 2015 to be more in line with market practice. The guidelines in effect prior to 2015 had been in place for many years and based on the Company's stock price increase over these years had resulted in the guidelines exceeding market practice by quite a wide margin. For 2015, Mr. Creed and Mr. Novak will each be required to own 100,000 shares and our Chief Financial Officer and division presidents will each be required to own 30,000 shares. As a multiple of salary, this represents over six times for Mr. Creed and Mr. Novak and over three times for the Chief Financial Officer and division presidents. At these multiples of salary, the new guidelines are above the median for the Company's peer group.

Key Executive Compensation and Governance Practices

We employ compensation and governance best practices that provide a foundation for our pay-for-performance program and align Company and shareholder interests.

We Do	We Don't Do
✓ Independent compensation committee (Management Planning & Development Committee), which oversees the Company's compensation policies and strategic direction	✗ Employment agreements
✓ Directly link Company performance to pay outcomes	✗ Re-pricing of SARs/Options
✓ Executive ownership guidelines reviewed annually against Company guidelines	✗ Grants of SARs/Options with exercise price less than FMV of common stock on date of grant
✓ Broad Board discretion to "clawback" compensation if executive's conduct results in significant financial or reputational harm to Company	✗ Permit executives to hedge or pledge Company stock
✓ Make a substantial portion of NEO target pay "at risk"	✗ Payment of dividends or dividend equivalents on PSUs unless or until they vest
✓ Double-trigger vesting of equity awards upon change in control	✗ Excise tax gross-ups upon change in control
✓ Utilize independent Compensation Consultant	
✓ Incorporate comprehensive risk mitigation into plan design	
✓ Periodic review of Executive Peer Group to align appropriately with Company size	
✓ Limit perquisites	
✓ Evaluate CEO and executive succession plans	
✓ Conduct annual shareholder engagement program to obtain feedback from shareholders and consider in annual compensation program design	

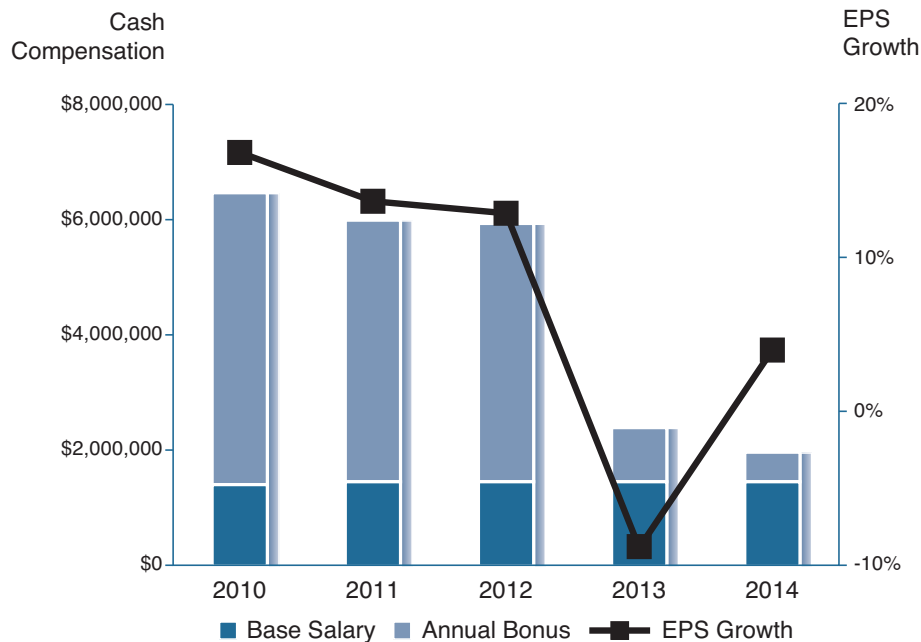
Chief Executive Officer Pay For 2014

Our compensation program is designed to support our long-term Company growth model, while holding our executives accountable to achieve key annual results year after year. Our CEO is compensated in accordance with this long-term, pay-for-performance perspective and, as discussed on page 29, the Committee set 89% of Mr. Novak's 2014 target pay at risk.

Every January, the Committee makes decisions about the CEO's target compensation based on performance and market competitiveness. For 2014, the Committee determined

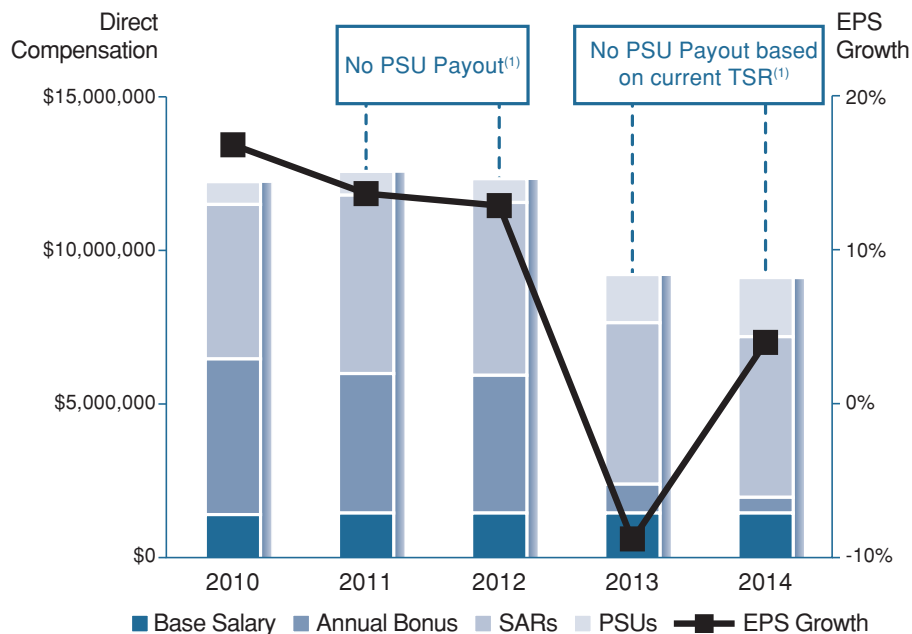
that our CEO's target cash compensation, consisting of base salary and target bonus, was competitive compared to our Executive Peer Group and did not increase these elements. In regards to actual cash compensation for 2014, our CEO's pay decreased by 18% compared to the prior year, due to a 45% decline in annual bonus. His annual bonus reflects below target performance. As demonstrated below and on page 34, our CEO's cash compensation correlates with earnings per share growth, which is our primary business performance metric.

CEO CASH COMPENSATION VS. EPS GROWTH



The Committee did not make any changes to Mr. Novak's target direct compensation for 2014. Mr. Novak's actual direct compensation, comprised of base salary, bonus paid and annual long-term incentive award value remained relatively flat from 2010 – 2012 but decreased by 26% in 2013 and decreased another percentage point in 2014 as a result of his reduced annual bonus. Although not included in the calculation of 2014 actual direct compensation, our CEO's 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 for 2011 (shown below). Further, our CEO's SARs will only provide value to him if shareholders receive value through stock price appreciation. As demonstrated on page 34, our CEO's actual direct compensation, like cash compensation, tracks earnings per share growth.

CEO DIRECT COMPENSATION VS. EPS GROWTH



(1) The 2011 and 2012 PSU awards did not pay out. The 2013 and 2014 PSU awards, described at page 41, will not pay out if the Company's current TSR ranking against the S&P 500 continues.

How Compensation Decisions Are Made

Shareholder Outreach, Engagement and 2014 Vote on NEO Compensation

At our 2014 Annual Meeting of Shareholders, 95% of votes cast on our annual advisory vote on NEO compensation were in favor of our NEOs' compensation program, as disclosed in our 2014 proxy statement. These results represented an overwhelming majority support. While the Committee did not make any changes to our 2014 compensation program or policies as a result of this vote, we continued our shareholder outreach program to better understand our investors' opinions on our compensation practices and have the opportunity to answer their questions. In 2014, members of our management team from compensation, investor relations and legal continued to be directly involved in engagement efforts that served to reinforce our open door policy. The efforts included:

- Reaching out to the top 25 shareholders, representing ownership of approximately 46% of YUM shares
- Meeting with shareholders representing 16% of YUM shares
- Dialogues with proxy advisory firms
- Investor road shows and conferences
- Presenting shareholder feedback to the Committee

Our annual engagement efforts facilitate communication with and participation by many of our shareholders. The Committee carefully considers shareholder and advisor feedback, among other factors discussed in this CD&A, in making its compensation decisions. Shareholder feedback has influenced and reinforced a number of compensation design changes over the years. The Company and the Committee appreciate the feedback from our shareholders and the proxy advisory firms and plan to continue these engagement efforts.

Role of the Committee

Compensation decisions are ultimately made by the Committee using its judgment, focusing primarily on each NEO's performance against his financial and strategic objectives, qualitative factors and the Company's overall performance. The Committee considers the total compensation of each NEO and retains discretion to make decisions that are reflective of overall business performance and each executive's strategic contributions to the business. In making its compensation decisions, the Committee typically follows the annual process described below:

Committee Annual Compensation Process

January

- Evaluates CEO and other NEO performance and approves bonus and Performance Share Plan actions for the prior year
- Approves annual and long-term performance goals and metrics and total compensation package of CEO and other NEOs for the current year
 - Committee consults with independent members of Board regarding total compensation decisions for CEO and decisions are reviewed and ratified by the independent members of Board
 - Committee consults with and relies on CEO for in-depth review of performance of the other NEOs as well as competitive market information
- Approves bonus and performance share plan metrics, targets, and leverage for the current year with recommendations from management
- Reviews tally sheets

March

- Completes compensation risk assessment
- Reviews ownership guidelines and adherence to ownership guidelines
- Conducts independence analysis of compensation consultant retaining sole authority to continue or terminate its relationship with outside advisors, including consultant
- Reviews and approves inclusion of CD&A in proxy statement

July

- Mid-Year update to full Board on CEO's progress against goals

September

- Reviews compensation trends
- Reviews market analysis of Director compensation and makes recommendations to Board (bi-annually)

November

- Reviews competitive analysis/benchmarking for CEO and all CEO direct reports
- Reviews bonus and performance share plan metrics, targets, and leverage recommendations for the following year
- Evaluates feedback from shareholders and proxy advisors.

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

Our Committee uses an evaluation of how our NEO target and actual compensation levels compare to those of similarly situated executives at companies that comprise our executive peer group ("Executive Peer Group") as one of the factors in setting executive compensation. The Executive Peer Group 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 2013 for pay determinations in 2014. The 2014 Executive Peer Group includes:

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

At the time the benchmarking analysis was prepared, the Executive Peer Group's median revenues were \$14.9 billion and enterprise value was \$18.8 billion, while YUM's were estimated at \$21.6 billion (calculated as described below) and \$33 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 customer satisfaction and overall operations improvements across the entire franchise system. Accordingly, in calibrating size-adjusted market values, which values are as of the last completed fiscal year at the time of study, our philosophy is to add 25% of franchisee and licensee sales to the Company's revenues 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 2014. 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.

Historically and during 2014, the Company has generally targeted pay for the CEO at the 75th percentile of the market due to Mr. Novak's sustained results. Specifically, 75th percentile total cash and total direct compensation. The Company has a philosophy for all other NEOs to target the 50th percentile for base salary, 75th percentile for target bonus and 50th percentile for long-term incentives. When benchmarking for determining target bonus percentage, we use the average of our NEOs' last three year's actual bonus paid rather than target bonus. When benchmarking and making decisions about the CEO's SARs/Options, we use a grant date fair value based on the full 10-year term rather than the expected term of all SARs/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/Options granted to our CEO. Our CEO receives fewer shares under this practice than if we used the expected term of all SARs/Options granted by the Company.

Our CEO's and other NEOs' (except for Mr. Grismer) target total direct compensation was at or above the 75th percentile of our Executive Peer Group for 2014 due to sustained long-term results. Mr. Grismer's compensation is set consistent with our philosophy. It is important to emphasize that this is the competitive positioning of our compensation opportunities. Realized pay, however, is driven substantially by Company performance, as discussed on page 30.

As discussed on page 31, for 2015, the Company changed the compensation targets for the new CEO to be consistent with the philosophy for its other NEOs and set his 2015 total target direct compensation below the median of our Executive Peer Group.

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 other 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.	SARs/Options & PSUs
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 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 2014:

NEO	2014 Base Salary	Action	Reason
Novak	\$1,450,000	No change	No change since existing total cash compensation is at our target philosophy
Grismer	\$ 715,000	10% increase	Adjustment aligns base salary more closely with our target philosophy
Su	\$1,100,000	No change	No change since existing base salary is above our target philosophy
Creed	\$ 750,000	No change	No change since existing base salary is above our target philosophy
Bergren	\$ 725,000	No change	No change since existing base salary is 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:

$$\text{Base Salary} \times \text{Target Bonus Percentage} \times \text{Team Performance (0 - 200\%)} \times \text{Individual Performance (0 - 150\%)} = \text{Bonus Payout (0 - 300\%)}$$

Bonus Targets

Based on the Committee's review, the following actions were taken regarding bonus targets for 2014:

NEO	2014 Target Bonus Percentage	Action	Reason
Novak	160%	No change	No change since existing total target cash compensation is at our target philosophy
Grismer	100%	No change	No change since existing annual incentive target opportunity is at our target philosophy
Su	115%	No change	No change since existing annual incentive target opportunity is above our target philosophy
Creed	100%	No change	No change since existing annual incentive target opportunity is above our target philosophy
Bergren	100%	Increase from 85%	Adjustment aligns annual incentive target opportunity with our target philosophy

Team Performance

The Committee established team performance measures, targets and weights in January 2014 after receiving input and recommendations from management. The objectives were also reviewed by the Board to ensure the goals support the Company's overall strategic objectives.

The performance objectives 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.

Detailed Breakdown of 2014 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⁾			68	50%	34
	Earnings Per Share Growth (excluding special items)	20%	4%	0	50%	0
	FINAL YUM TEAM FACTOR					34
Su	Operating Profit Growth ⁽²⁾	34%	(8)%	0	50%	0
	System Sales Growth ⁽²⁾	20%	1%	0	20%	0
	System Gross New Builds	650	737	200	20%	40
	System Customer Satisfaction	Weighted Average ⁽⁵⁾		101	10%	10
	Total Weighted Team Performance — China Division					50
	FINAL CHINA TEAM FACTOR⁽³⁾					46
Creed	Operating Profit Growth ⁽²⁾	7%	5%	48	40%	19
	System Same-Store Sales Growth	3%	3%	97	20%	19
	System Net Builds ⁽⁶⁾	100	180	200	20%	40
	Customer Operations Review and Evaluation (CORE)	84%	84%	120	10%	12
	System Customer Satisfaction	66%	68%	148	10%	15
	Total Weighted Team Performance — Taco Bell					105
	Final Taco Bell Team Factor ⁽³⁾					87
	Chairman's Incentive Points ⁽⁴⁾					10
	FINAL TACO BELL TEAM FACTOR					97
Bergren	Operating Profit Growth ⁽²⁾	6%	(13)%	0	50%	0
	System Same-Store Sales Growth	3%	(1)%	0	15%	0
	System Net Builds ⁽⁷⁾	302	282	73	20%	15
	System Customer Satisfaction	Weighted Average ⁽⁸⁾		155	15%	23
	Total Weighted Team Performance — Pizza Hut Division					38
	FINAL PIZZA HUT TEAM FACTOR⁽³⁾					37

⁽¹⁾ Weighted average based on each Division's contribution to overall segment operating profit of YUM in 2013, not including 10 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⁾ As recommended by the Chairman and approved by the Committee, Taco Bell received 10 additional discretionary points for sharing know-how across divisions, mobile application rollout, breakfast rollout, restaurant culture leadership, and profit growth performance in the face of strong commodity headwinds.

⁽⁵⁾ Weighted average of each Brand's Team Factor based on number of restaurants.

⁽⁶⁾ Includes US units only. Excludes licensed units.

⁽⁷⁾ Excludes US licensed units.

⁽⁸⁾ Weighted average of each subsidiary business unit's Team Factor based on number of restaurants.

Individual Performance

Our Board, under the leadership of the Committee Chair, approved Mr. Novak's 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 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 2014 was below target, as YUM's financial results were below target, and awarded him an individual performance factor of 65. This individual performance factor, combined with YUM's team factor of 34, resulted in Mr. Novak receiving 22% of his target bonus. This determination was based on the Committee's subjective assessment of Mr. Novak's performance against his goals including (without assigning a weight to any particular item):

- Not achieving EPS growth target of 20%; EPS increased by 4%⁽¹⁾
- China Division's below target sales and profit results, including the poor performance of Little Sheep, a subsidiary of the China Division
- All divisions failed to make their operating profit plans for the year
- KFC and Taco Bell increased system sales by 6% and 4% and operating profit by 13% and 5% respectively, despite strong commodity headwinds⁽²⁾
- Over 2,000 new builds outside the US and increased development in the US driven primarily by Taco Bell's 180 net new builds
- YUM's continued improvements in one system operational excellence with continued focus on compliance and customer satisfaction metrics
- Development of strong leaders and fostering the customer-focused employee culture in the Company
- Continued commitment to corporate social responsibility through the World Food Programme and other hunger relief 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 on target and approved a 110 individual performance factor. Despite below target Company financial performance, the Committee determined that Mr. Grismer positively impacted the Company's long-term opportunities by driving Company-wide strategic growth priorities and division initiatives and also successfully executing the Company's financial strategies. Mr. Grismer's individual performance factor, combined with a team factor of 34, resulted in him receiving 37% of his target bonus.

For Mr. Su, the Committee determined his overall individual performance for 2014 was below target and approved a 65 individual performance factor. This was based upon the China Division not achieving operating profit and system sales growth targets, driven by adverse publicity of an improper food handling incident by a former supplier and poor performance of the China Division's Little Sheep business. The Committee also recognized that China Division's productivity improvements and new store builds were important achievements in 2014 that will aid future performance. Mr. Su's individual performance factor, combined with a team factor of 46, resulted in him receiving 30% of his target bonus.

For Mr. Creed, the Committee determined his overall individual performance for 2014 was above target and approved a 130 individual performance factor. This determination was based upon his overall leadership of Taco Bell: growing US same-store sales 3% for the year driven in part by breakfast sales, new product innovation and promoting brand differentiation through a focus on digital media. Mr. Creed's individual performance factor, combined with a team factor of 97, resulted in him receiving 126% of his target bonus.

For Mr. Bergren, the Committee determined his overall individual performance for 2014 was below target and approved a 90 individual performance factor. This determination was based on the Pizza Hut division not achieving operating profit or system same-store sales growth targets. Mr. Bergren's individual performance factor, combined with a team factor of 37, resulted in him receiving 33% of his target bonus.

(1) Prior to Special Items

(2) Prior to foreign currency translations

Summary of Earned Annual Incentives for 2014

The table below summarizes how the formula was applied and the actual amounts earned for 2014 performance.

NEO	Base Salary Year End 2014	Target Bonus Percentage	Team Performance	Individual Performance	Bonus Paid for 2014 Performance
Novak	\$1,450,000 ×	160% ×	34% ×	65% =	\$512,720
Grismer	\$ 715,000 ×	100% ×	34% ×	110% =	\$267,410
Su	\$1,100,000 ×	115% ×	46% ×	65% =	\$378,235
Creed	\$ 750,000 ×	100% ×	97% ×	130% =	\$945,750
Bergren	\$ 725,000 ×	100% ×	37% ×	90% =	\$241,425

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

Stock Appreciation Rights/Stock Options

In general, our SARs/Options have ten-year terms and vest over at least four years. Each SAR/Option 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 SARs/Options as the long-term incentive vehicle. The Committee continues to choose SARs/Options 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 SAR/Option award values and PSU award values can be found under the Summary Compensation Table, page 46 at columns e and f.

2014 Long-term Incentive Awards

Based on the Committee's assessment as described above, the Committee set the following 2014 values for long-term incentive awards, including SARs/Options and PSU awards, for each NEO:

NEO	2014 Grant Value	Reason
Novak	\$7,150,000 ⁽¹⁾	Award brought his total direct compensation to our target philosophy
Grismer	\$1,825,000 ⁽¹⁾	Award brought his total direct compensation to our target philosophy
Su	\$2,350,000 ⁽¹⁾	Awarded at above target philosophy based on his sustained long-term results in role
Creed	\$1,675,000 ⁽¹⁾⁽²⁾	Awarded at above target philosophy based on his sustained long-term results in role
Bergren	\$1,450,000 ⁽¹⁾⁽²⁾	Awarded at above target philosophy based on his sustained long-term results in role

⁽¹⁾ 2014 grant values are rounded to the nearest \$25,000 to reflect the Committee approved valuation figures.

⁽²⁾ Mr. Creed and Mr. Bergren's 2014 grant values exclude their 2014 Chairman's Awards of \$1,200,000 (rounded to the nearest \$25,000 to reflect the Committee-approved valuation figures). Mr. Creed received his award in February 2014 based on his superlative leadership in helping Taco Bell achieve strong 2013 results and Mr. Bergren received his award in February 2014 in recognition of his multi-year contributions to drive brand innovation across all divisions.

Performance Share Plan

Under the Company's Performance Share Plan, the PSU awards granted in 2014 are earned based on the Company's 3-year average total shareholder return ("TSR") relative to the companies in the S&P 500. Incorporating TSR supports the Company's pay-for-performance philosophy while diversifying performance criteria and aligning our NEOs' reward with the creation of shareholder value. The threshold and maximum are aggressively set, exceeding market best practice. The target, threshold and maximum shares that may be paid out under these awards for each NEO are described at page 48. The target grant value for the CEO is 25% of his total long-term incentive award value and for the other NEOs is 20% of their total long-term incentive award value.

For the performance period covering 2014 – 2016 calendar years, each NEO will earn a percentage of his 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 30, PSU awards granted in 2011 did not pay out since YUM did not attain the minimum performance threshold (these awards would have paid out during 2014 had the Company's average earnings per share during the 2011–2013 performance period reached the required minimum average growth threshold of seven percent).

Retirement and Other 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 and Mr. Bergren are not active participants in the Retirement Plan; however, each maintains a balance in the Retirement Plan from the years that he was a participant.

The Pension Equalization Plan (“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. Mr. Bergren is the only NEO who currently participates in the PEP. Mr. Novak ceased participating in the PEP in 2012.

For executives hired or re-hired after September 30, 2001, the Company implemented the Leadership Retirement Plan (“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 2014, Mr. Grismer and Mr. Bergren 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 28% for Mr. Bergren) 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, Mr. Creed 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 53.

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 and Mr. Creed (beginning in 2015) are 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 and Mrs. Creed. The Board has considered past instances of potential safety concerns for the CEO and their spouses and based on a security study completed by a security expert and the expert’s advice decided to require Mr. Novak and Mr. Creed to use the corporate aircraft for personal travel. We do not provide tax gross-ups on the personal use of the Company aircraft. Beginning in 2015, the Committee has approved timeshare arrangements for Mr. Novak and Mr. Creed with respect to their personal use of aircraft. The arrangement provides that upon the executive reaching \$200,000 in incremental costs for his personal use, the executive’s timeshare agreements will be triggered and any incremental costs for personal use above \$200,000 will be reimbursed to the Company in accordance with the requirements of the Federal Aviation Administration regulations.

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 2014 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 SARs/Options 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 SARs/Options 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 approximately 400 of our senior 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 2014, 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	2,746,860	\$200,108,751	138
Grismer	40,000	44,484	\$ 3,240,659	5
Su	50,000	407,615	\$ 29,694,753	27
Creed	50,000	102,379	\$ 7,458,310	10
Bergren	50,000	108,640	\$ 7,914,424	11

(1) Calculated as of December 31, 2014 and represents shares owned outright, vested RSUs and all RSUs awarded under the Company's Executive Income Deferral Program.

(2) Based on YUM closing stock price of \$72.85 as of December 31, 2014.

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 59.

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, the Company implemented "double trigger" vesting, pursuant to which outstanding awards will fully and immediately vest only 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.

In case of retirement, the Company provides retirement benefits described above and life insurance benefits (to employees eligible under the Retirement Plan), the continued ability to exercise vested SARs/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 SARs/Options 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 Long-Term Incentive Plan ("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 LTIP 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 SARs/Options annually. In the case of these grants, the Committee sets all the terms of each award, except the actual number of SARs/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 amended and restated the Company's Compensation Recovery Policy (i.e., "clawback") for stock awards beginning in 2015 and annual bonuses awarded for calendar years after 2014. Pursuant to this amended and restated policy, the Committee may require executive officers (including the NEOs) to return compensation paid or may cancel any award or bonuses not yet vested or earned if the executive officers engaged in misconduct or violation of Company policy that resulted in significant financial or reputational harm or violation of Company policy, 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, and cancellation of an award or bonus 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 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, SARs/Options, RSU and PSU awards satisfy the requirements for exemption under Internal Revenue Code Section 162(m).

For 2014, 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 \$1 million limitation does not apply in his case. The 2014 annual bonuses were all paid pursuant to our annual bonus program and, therefore, we expect will be deductible. For 2014, the Committee set the maximum individual award opportunity based on a bonus pool for the NEOs and the next two highest paid executive officers (Mr. Grismer is not included for purposes of our pool since under IRS rules the Chief Financial Officer pay is not subject to these limits.) The bonus pool for 2014 is equal to 1.5% of operating profit (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). The maximum payout opportunity for each executive was set at a fixed percentage of the pool. Based on the Company's operating profit of \$1.577 billion, the bonus pool was set at approximately \$23 million and the maximum 2014 award opportunity for each NEO was based on their applicable percentage of the pool (Mr. Novak = 30%, Mr. Su = 20%, Mr. Creed = 20% and Mr. Bergren = 10%) (under the terms of the shareholder approved plan no executive may earn a bonus in excess of \$10 million for any year). The Committee then exercised its negative discretion in determining actual incentive awards based on team performance and individual performance measures as described above.

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

The following tables provide information on the compensation of the Named Executive Officers (“NEOs”) for our 2014 fiscal year. The Company’s NEOs are our Chief Executive Officer, Chief Financial Officer and our three other most highly compensated officers for our 2014 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 (\$)
David C. Novak	2014	1,450,000	—	1,925,037	5,228,142	512,720	202,360	689,028	10,007,287
Chairman and Chief	2013	1,450,000	—	1,568,655	5,255,519	939,600	17,351	776,268	10,007,393
Executive Officer of YUM	2012	1,450,000	—	773,022	5,625,960	4,584,320	1,345,665	389,388	14,168,355
Patrick J. Grismer	2014	707,500	—	350,019	1,475,973	267,410	9,087	142,114	2,952,103
Chief Financial Officer of YUM	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	2014	1,100,000	—	450,045	1,907,966	378,235	1,956,023	5,035,711	10,827,980
Vice Chairman of the Board of YUM and 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
Greg Creed	2014	750,000	—	325,048	2,561,957	945,750	45,680	345,068	4,973,503
Chief Executive Officer of Taco Bell Division ⁽⁷⁾	2013	750,000	—	203,735	1,323,839	1,511,625	7,348	238,737	4,035,284
Scott O. Bergren	2014	725,000	—	275,035	2,333,972	241,425	127,083	428,872	4,131,387
Chief Executive Officer of Pizza Hut Division and Chief Innovation Officer of YUM ⁽⁸⁾									

(1) 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 this column represent the grant date fair values for performance share units (PSUs) granted in 2014, 2013 and 2012 and, for Mr. Grismer, restricted stock units (RSUs) granted in 2012. Further information regarding the 2014 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 2014, Mr. Novak’s PSU maximum value at grant date fair value would be \$3,850,074; Mr. Grismer’s PSU maximum value would be \$700,038; Mr. Su’s PSU maximum value would be \$900,090; Mr. Creed’s PSU maximum value would be \$650,096; and Mr. Bergren’s PSU maximum value would be \$550,070. 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 55), 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 this column represent the grant date fair values of the stock options and stock appreciation rights (SARs) awarded in 2014, 2013 and 2012, respectively. For a discussion of the assumptions and methodologies used to value the awards reported in column (e) and column (f), please see the discussion of stock awards and option awards contained in Part II, Item 8, “Financial Statements and Supplementary Data” of the 2014 Annual Report in Notes to Consolidated Financial Statements at Note 14, “Share-based and Deferred Compensation Plans.” For Mr. Creed and Mr. Bergren, this column also includes each of their 2014 Chairman’s Awards with a grant date fair value of \$1,199,984. See the Grants of Plan-Based Awards table for details.

(4) Except as provided below and in footnote (2) above, amounts in this column reflect the annual incentive awards earned for the 2014, 2013 and 2012 fiscal year performance periods, which were awarded by our Management Planning and Development Committee (“Committee”) in January 2015, January 2014 and January 2013, 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 (e). If the deferral or a portion of the deferral is not subject to a risk of forfeiture, it is reported in column (g). In 2012, Mr. Grismer elected to defer 100% of his annual incentive (\$760,760) into RSUs resulting in nothing to report for him in this column for that year.

(5) The amounts listed in this column for Mr. Novak, Mr. Creed and Mr. Bergren, reflect the aggregate increase in actuarial present value of each of their accrued benefits under the YUM! Brands Retirement Plan (“Retirement Plan”) during the 2014 fiscal year (using interest rate and mortality assumptions consistent with those used in the Company’s financial statements). 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 this column reflect the aggregate increase in actuarial present value of age 62 accrued benefits under the Yum International Retirement Plan ("YIRP") during the 2014 fiscal year. See the Pension Benefits Table at page 53 for a detailed discussion of the Company's pension benefits. Mr. Grismer was hired after September 30, 2001, and is ineligible for the Company's Retirement Plan. Mr. Creed and Mr. Bergren are not active participants in the Retirement Plan but each maintains a balance in the Retirement Plan from the two years (2002 and 2003) and six years (1992-1998) respectively during which he was a participant.

For Messrs. Grismer, Creed and Bergren, amounts in this column 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 Bergren and the Third Country National Plan ("TCN") for Mr. Creed, which is described in more detail beginning at page 55 under the heading "Nonqualified Deferred Compensation".

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

(7) No amounts are reported for Mr. Creed for 2012 since he was not a NEO for that year.

(8) Mr. Bergren became a NEO in 2014. No amounts are reported for Mr. Bergren for 2012 and 2013 since he was not a NEO for those years.

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 2014.

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	300,032	—	27,108	358,150	3,738	689,028
Grismer	—	991	5,273	135,850	—	142,114
Su	221,139	4,762,222	21,286	—	31,064	5,035,711
Creed	68,813	13,469	9,708	225,000	28,078	345,068
Bergren	—	—	22,872	406,000	—	428,872

(1) Amounts in this column include for Mr. Novak and Mr. Creed: incremental cost for the personal use of Company aircraft (\$300,032 and \$68,813 respectively) — 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 42, 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 2014 that was attributable to a previous international assignment. For Mr. Creed, this amount represents Company-provided tax reimbursement for his relocation to Company headquarters in preparation of his new position as CEO effective January 1, 2015.

(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 Bergren, this column represents Company's 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, personal use of Company aircraft, tax preparation assistance and relocation.

Grants of Plan-Based Awards

The following table provides information on stock options, SARs, RSUs and PSUs granted for 2014 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 46.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Option Awards; Number of Securities Underlying Options ⁽³⁾	Exercise or Base Price of Option/ SAR Awards ⁽⁴⁾	Grant Date Fair Value ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Novak	2/5/2014	0	2,320,000	6,960,000						
	2/5/2014							299,607	70.54	5,228,142
	2/5/2014				—	27,290	54,580			1,925,037
Grismer	2/5/2014	0	715,000	2,145,000						
	2/5/2014							84,583	70.54	1,475,973
	2/5/2014				—	4,962	9,924			350,019
Su	2/5/2014	0	1,265,000	3,795,000						
	2/5/2014							109,339	70.54	1,907,966
	2/5/2014				—	6,380	12,760			450,045
Creed	2/5/2014	0	750,000	2,250,000						
	2/5/2014							78,050	70.54	1,361,973
	2/5/2014							68,767	70.54	1,199,984
	2/5/2014				—	4,608	9,216			325,048
Bergren	2/5/2014	0	725,000	2,175,000						
	2/5/2014							64,985	70.54	1,133,988
	2/5/2014							68,767	70.54	1,199,984
	2/5/2014				—	3,899	7,798			275,035

(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 2014. The actual amount of annual incentive compensation awards are shown in column (g) of the Summary Compensation Table on page 46. 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 2014. The PSU awards vest on December 31, 2016 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, 2016. The performance target for all the PSU awards granted to the NEOs in 2014 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 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 SARs and stock options granted to executives during the Company's 2014 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 5, 2014. SARs/stock options become exercisable in equal installments on the first, second, third and fourth anniversaries of the grant date; except, however, 68,767 SARs granted to Mr. Creed become exercisable on the fifth anniversary of the grant date and 68,767 SARs granted to Mr. Bergren become exercisable in equal installments of 20% per year on the first, second, third, fourth and fifth anniversaries of the grant. 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.

Executives 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 dates of the SARs/stock options (generally, the tenth anniversary following the SARs/stock options grant dates). Vested SARs/stock options of grantees who die may also be exercised by the grantee's beneficiary through the expiration dates 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 2014 equals the closing price of YUM common stock on the grant date, February 5, 2014.
- (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 an 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. Beginning in 2013, the Company granted PSU awards with market-based conditions requiring valuation using a Monte Carlo simulation. For SARs/stock options, fair value of \$17.45 was calculated using the Black-Scholes value on the February 5, 2014 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 2014 Annual Report in Notes to Consolidated Financial Statements at Note 14, "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, 2014.

Name	Grant Date	Option/SAR Awards ⁽¹⁾				Stock Awards		Equity incentive plan awards:	Equity incentive plan awards:
		Number of Securities Underlying Unexercised Options/SARs (#)	Number of Securities Underlying Unexercised Options/SARs (#)	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⁾	Number of unearned shares, units or other rights that have not vested (#) ⁽⁴⁾	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	1/19/2007	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	623,925	—	\$32.98	2/5/2020				
	2/4/2011	372,190	124,064 ⁽ⁱ⁾	\$49.30	2/4/2021				
	2/8/2012	188,664	188,664 ⁽ⁱⁱ⁾	\$64.44	2/8/2022				
	2/6/2013	90,239	270,717 ⁽ⁱⁱⁱ⁾	\$62.93	2/6/2023				
	2/5/2014	—	299,607 ^(iv)	\$70.54	2/5/2024				
						—	—	115,760	8,433,116
Grismer	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	34,424	—	\$32.98	2/5/2020				
	2/5/2010	—	43,030 ^(v)	\$32.98	2/5/2020				
	2/4/2011	18,330	6,110 ⁽ⁱ⁾	\$49.30	2/4/2021				
	2/8/2012	16,551	16,551 ⁽ⁱⁱ⁾	\$64.44	2/8/2022				
	2/6/2013	18,942	56,828 ⁽ⁱⁱⁱ⁾	\$62.93	2/6/2023				
	2/6/2013	—	45,462 ^(vi)	\$62.93	2/6/2023				
	2/5/2014	—	84,583 ^(iv)	\$70.54	2/5/2024				
						16,119	1,174,244	14,374	1,047,146
Su	1/28/2005	65,039	—	\$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	172,118	—	\$32.98	2/5/2020				
	2/4/2011	106,925	35,642 ⁽ⁱ⁾	\$49.30	2/4/2021				
	2/8/2012	82,754	82,755 ⁽ⁱⁱ⁾	\$64.44	2/8/2022				
	2/6/2013	30,307	90,924 ⁽ⁱⁱⁱ⁾	\$62.93	2/6/2023				
	2/5/2014	—	109,339 ^(iv)	\$70.54	2/5/2024				
						187,150	13,633,878	26,110	1,902,114

Name	Grant Date	Option/SAR Awards ⁽¹⁾				Stock Awards		Equity incentive	Equity incentive
		Number of Securities Underlying Unexercised Options/SARs (#)	Number of Securities Underlying Unexercised Options/SARs (#)	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⁾	plan awards: Number of unearned shares, units or other rights that have not vested (#) ⁽⁴⁾	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	172,118	—	\$32.98	2/5/2020				
	2/4/2011	91,650	30,550 ⁽ⁱ⁾	\$49.30	2/4/2021				
	2/8/2012	41,377	41,378 ⁽ⁱⁱ⁾	\$64.44	2/8/2022				
	2/6/2013	22,730	68,193 ⁽ⁱⁱⁱ⁾	\$62.93	2/6/2023				
	2/5/2014	—	78,050 ^(iv)	\$70.54	2/5/2024				
	2/5/2014	—	68,767 ^(vii)	\$70.54	2/5/2024				
						—	—	17,162	1,250,252
Bergren	1/24/2008	133,856	—	\$37.30	1/24/2018				
	2/5/2009	135,318	—	\$29.29	2/5/2019				
	2/5/2009	67,659	—	\$29.29	2/5/2019				
	2/5/2010	81,756	—	\$32.98	2/5/2020				
	2/4/2011	61,100	20,367 ⁽ⁱ⁾	\$49.30	2/4/2021				
	2/8/2012	37,239	37,240 ⁽ⁱⁱ⁾	\$64.44	2/8/2022				
	2/6/2013	17,048	51,145 ⁽ⁱⁱⁱ⁾	\$62.93	2/6/2023				
	2/5/2014	—	64,985 ^(iv)	\$70.54	2/5/2024				
2/5/2014	—	68,767 ^(viii)	\$70.54	2/5/2024					
						—	—	14,314	1,042,775

(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 awards listed as expiring on May 17, 2017 and May 21, 2019 were each granted with 100% vesting after four years. Certain awards expiring for Mr. Grismer on February 5, 2020 (43,030 SARs) and February 6, 2024 (45,462 SARs), for Mr. Su on January 24, 2018 (267,712 options), and for Mr. Creed on February 5, 2024 (68,767 SARs), were each granted with 100% vesting after five years. For Mr. Bergren, the award expiring on February 5, 2024 (68,767 SARs) vests 20% per year over five years.

The actual vesting dates for unexercisable awards are as follows:

(i) Remainder of unexercisable awards will vest on February 4, 2015.

(ii) One-half of the unexercisable award will vest on each of February 8, 2015 and 2016.

(iii) One-third of the unexercisable award will vest on each of February 6, 2015, 2016 and 2017.

(iv) One-fourth of the unexercisable award will vest on each of February 5, 2015, 2016, 2017 and 2018.

(v) Unexercisable award will vest on February 5, 2015.

(vi) Unexercisable award will vest on February 6, 2018.

(vii) Unexercisable awards will vest on February 5, 2019.

(viii) Unexercisable award will vest 20% per year and will vest on each of February 5, 2015, February 5, 2016, February 5, 2017, February 5, 2018 and February 5, 2019.

(2) Amounts in this column represent RSUs that have not vested. For Mr. Su, the 187,150 RSUs represent a 2010 retention award (including accrued dividends) that vests after five years. For Mr. Grismer, this amount represents deferral of his 2012 bonus 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 \$72.85, the closing price of YUM stock on the NYSE on December 31, 2014.

(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 31, 2015 or December 31, 2016 if the performance targets are met. In accordance with SEC rules, the PSU awards are reported at their maximum payout value.

Option Exercises and Stock Vested

The table below shows the number of shares of YUM common stock acquired during 2014 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 2014, Mr. Grismer had 8,808 RSUs vest. The 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) for PSUs.

Name	Option/SAR Awards		Stock Awards	
	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	340,002	24,211,587	—	—
Grismer	11,116	821,693	9,126 ⁽¹⁾	667,202
Su	65,039	3,476,751	—	—
Creed	—	—	—	—
Bergren	—	—	—	—

⁽¹⁾ These RSUs represent Mr. Grismer's deferral of his 2011 bonus, which was deferred in 2012 and vested in 2014, under the Company's Executive Income Deferral Program.

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.

2014 FISCAL YEAR PENSION BENEFITS TABLE

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ⁽⁴⁾ (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
Novak ⁽ⁱ⁾	Retirement Plan ⁽¹⁾	28	1,598,356	—
	Pension Equalization Plan ⁽²⁾		—	—
Grismer ⁽ⁱⁱ⁾	—	—	—	—
Su	International Retirement Plan ⁽³⁾	25	20,459,770	—
Creed ⁽ⁱⁱⁱ⁾	Retirement Plan ⁽¹⁾	2	154,835	—
Bergren ^(iv)	Retirement Plan ⁽¹⁾	6	351,896	—
	Pension Equalization Plan ⁽²⁾	6	168,202	—

(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 46 for more detail.

(ii) Mr. Grismer is not accruing a benefit under these plans because he was hired after September 30, 2001 and is therefore ineligible for these benefits. Mr. Grismer participates 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 42, Mr. Creed participates in the Third Country National plan, an unfunded, unsecured deferred account-based retirement plan.

(iv) Mr. Bergren is not an active participant in the Retirement Plan but maintains a balance in the Retirement Plan for six years of accrued benefit (1992 – 1998) during which he was a participant in the plan. As of February 14, 1998, Mr. Bergren no longer accrues a benefit under the Retirement Plan or the PEP. Mr. Bergren participates in the LRP.

(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

- 3% of Final Average Earnings times Projected Service up to 10 years of service, plus
- 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%

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 $\frac{1}{12}$ 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, 2014 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	1,592,262	—	1,592,262
Jing-Shyh S. Su	May 1, 2007	—	20,602,718	20,602,718
Greg Creed	August 1, 2012	183,828	—	183,828
Scott O. Bergren	April 1, 2006	349,730	167,166	516,896

(1) The Retirement Plan

(2) The YIRP for Mr. Su and the PEP for Mr. Bergren

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 for participants who would actually commence benefits on January 1, 2015. 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, defined benefit 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

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.

Normal Retirement Eligibility

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

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. $1\frac{2}{3}\%$ 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, 2014) 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 42, Messrs. Novak, Grismer and Bergren 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. Bergren equal to 28% of his salary plus target bonus. As discussed beginning at page 42, 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 (-1.54%*)
- YUM! Matching Stock Fund (-1.54%*)
- S&P 500 Index Fund (13.61%)
- Bond Market Index Fund (5.93%)
- Stable Value Fund (1.40%)

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. Eligible amounts attributable to the matching contribution under the YUM! Matching Stock Fund are included in column (c) below as contributions by the Company (and represent amounts actually credited to the NEO's account during 2014). 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. Bergren receive an annual earnings credit equal to 5%. The Company's contribution ("Employer Credit") for 2014 is equal to 9.5% of salary plus target bonus for Mr. Novak and Mr. Grismer and 28% for Mr. Bergren.

Distributions under LRP. Under the LRP, participants age 55 or older are entitled to a lump sum distribution of their account balance in the quarter following their separation of employment. Participants under age 55 with a vested LRP benefit combined with any other deferred compensation benefits covered under Code Section 409A exceeds \$15,000, will not receive a distribution until the calendar quarter that follows the participants 55th birthday.

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 2014 was 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.

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	939,600	358,150	100,369	12,387	232,612,208
Grismer	277,875	135,850	26,630	29,719	2,888,799
Su	614,790	—	168,463	4,949,209	4,350,845
Creed	2,074,125	225,000	308,443	1,478,019	9,271,429
Bergren	—	406,000	103,137	12,721	9,822,950

(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. Novak, \$358,150 LRP allocation; Mr. Grismer, \$135,850 LRP allocation; Mr. Creed, \$225,000 TCN allocation; and Mr. Bergren, \$406,000 LRP allocation. 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 Bergren, of their earnings reflected in this column, \$9,087 and \$55,905 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, \$16,726 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 2014.

Novak	12,387
Grismer	29,718
Creed	70,778
Bergren	12,721

(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 2014 and prior years.

Novak	87,578,135
Grismer	2,500,045
Su	3,798,759
Creed	4,519,162
Bergren	—

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, 2014, 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, 2014, 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 50, 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, 2014, 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.

Executive Income Deferral Program. As described in more detail beginning at page 55, the NEOs 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 57 includes each NEO's aggregate balance at December 31, 2014. 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 57.

In the case of an involuntary termination of employment as of December 31, 2014, each NEO would receive the following: Mr. Novak \$202,267,298; Mr. Grismer \$2,201,021; Mr. Su \$4,350,845; Mr. Creed \$8,036,363; and Mr. Bergren \$5,996,863. As discussed at page 57, these amounts reflect bonuses previously deferred by the

executive and appreciation on these deferred amounts (see page 55 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, 2014, Mr. Novak would have received \$30,344,910. Mr. Grismer would receive \$687,778 when he attains age 55 and Mr. Bergren would have received \$3,826,087.

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, 2014, Mr. Creed would have received \$1,235,066.

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, 2014, 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, 2014, Messrs. Novak, Grismer, Su, Creed and Bergren would have been entitled to \$2,212,622, \$234,374, \$493,299, \$313,610 and \$260,138, respectively, assuming target performance.

Pension Benefits. The Pension Benefits Table on page 53 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, 2014. The table on page 54 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 47. If the NEOs had died on December 31, 2014, the survivors of Messrs. Novak, Grismer, Su, Creed and Bergren would have received Company-paid life insurance of \$3,360,000; \$1,430,000; \$2,365,000; \$1,500,000; and \$1,450,000, 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 Bergren). 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 43 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 granted prior to 2013 and held by the executive will automatically vest and become exercisable. 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 43 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 began 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 43 for more detail.

If a change in control and each NEO's involuntary termination had occurred as of December 31, 2014, the following payments or other benefits would have been made or become available.

	Novak \$	Grismer \$	Su \$	Creed \$	Bergren \$
Severance Payment	\$ 7,540,000	\$ 2,860,000	\$ 4,730,000	\$4,523,250	\$2,900,000
Annual Incentive	2,320,000	715,000	1,265,000	1,511,625	725,000
Accelerated Vesting of Stock Options and SARs	7,885,976	3,208,794	2,689,878	2,083,063	1,609,157
Accelerated Vesting of RSUs	—	1,216,024	13,633,878	—	—
Acceleration of PSU Performance/Vesting	2,212,622	234,374	493,299	313,610	260,138
Outplacement	25,000	25,000	25,000	25,000	25,000
TOTAL	19,983,598	8,259,192	22,837,055	8,456,548	5,519,295

If a change in control without an involuntary termination had occurred as of December 31, 2014, the following benefits would have become available.

	Novak \$	Grismer \$	Su \$	Creed \$	Bergren \$
Accelerated Vesting of Stock Options and SARs	\$ 4,508,371	\$ 1,998,691	\$ 1,535,339	\$1,067,441	\$ 792,381
Accelerated Vesting of RSUs	—	1,216,024	13,633,878	—	—
Acceleration of PSU Performance/Vesting	—	—	—	—	—
TOTAL	4,508,371	3,214,715	15,169,217	1,067,441	792,381

DIRECTOR COMPENSATION

As described more fully below, this table summarizes compensation paid to each non-employee director during 2014.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽²⁾	Option/SAR Awards (\$) ⁽³⁾⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)
Cavanagh, Michael	—	170,000	32,814	—	202,814
Dorman, David	—	170,000	32,814	10,000	212,814
Ferragamo, Massimo	—	170,000	32,814	—	202,814
Graddick-Weir, Mirian	—	170,000	32,814	5,000	207,814
Grissom, David ⁽¹⁾	—	—	—	10,000	10,000
Hill, Bonnie	85,000	85,000	32,814	7,250	210,064
Linen, Jonathan	—	170,000	32,814	10,000	212,814
Nelson, Thomas	—	190,000	32,814	10,000	232,814
Ryan, Thomas	—	195,000	32,814	—	227,814
Stock, Elane	—	180,833	31,930	—	212,764
Walter, Robert	—	185,000	32,814	10,000	227,814

⁽¹⁾ Mr. Grissom retired from the Board effective as of the date of the Company's 2014 annual meeting held May 1, 2014.

⁽²⁾ Amounts in column (c) represent the grant date fair value for annual stock retainer awards granted to directors in 2014.

⁽³⁾ Amounts in column (d) represent the grant date fair value for annual SARs granted in fiscal 2014. 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 2014 Annual Report in Notes to Consolidated Financial Statements at Note 14, "Share-based and Deferred Compensation Plans."

⁽⁴⁾ At December 31, 2014, the aggregate number of options and SARs awards outstanding for each non-management director was:

Name	Options	SARs
Cavanagh, Michael	—	6,252
Dorman, David	—	28,150
Ferragamo, Massimo	—	28,150
Graddick-Weir, Mirian	—	8,391
Hill, Bonnie	5,056	28,150
Linen, Jonathan	5,056	28,150
Nelson, Thomas	—	19,733
Ryan, Thomas	5,056	28,150
Stock, Elane	—	1,927
Walter, Robert	—	21,717

⁽⁵⁾ Represents amount of matching charitable contributions made on behalf of the director under the Company's matching gift program and/or the amount of 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. The Board typically reviews each element of director compensation every two years.

In 2014, the Management Planning and Development Committee of the Board ("Committee") benchmarked the Company's director compensation against director

compensation from the Company's Executive Peer Group discussed at page 36 as well as published survey data from the National Association of Corporate Directors for the largest 200 companies in the S&P 500. Data for this review was prepared for the Committee by its independent consultant, Meridian Compensation Partners LLC. This data revealed that the Company's director compensation was below the 50th percentile against both benchmarks and that the retainers paid to the Lead Director and the Chairpersons of the Audit Committee and the Management Planning were consistent with market practice. Following its review, the Board elected not to change director

compensation or the retainers paid to the Chairpersons or Lead Director during 2014 and determined that it will review them again in 2015.

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 2014, 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 2014) receives an additional \$25,000 stock retainer annually, the Chair of the Audit Committee (Mr. Nelson in 2014) receives an additional \$20,000 stock retainer annually and the Chair of the Management Planning and Development Committee (Mr. Walter in 2014) 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.

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, 2014, 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	16,017,266 ⁽¹⁾	46.41 ⁽²⁾	6,445,530 ⁽³⁾
Equity compensation plans not approved by security holders ⁽⁴⁾	255,917	54.69 ⁽²⁾	7,730,305
TOTAL	16,273,183⁽¹⁾	46.68⁽²⁾	14,175,835⁽³⁾

(1) Includes 5,329,592 shares issuable in respect of RSUs, performance units and deferred units.

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

(3) Includes 3,222,765 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, Bonnie G. Hill, Jonathan S. Linen, Elane B. Stock 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 2014. 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 2014, 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 2014?

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 27, 2014 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	Bonnie G. Hill
Mirian M. Graddick-Weir	Jonathan S. Linen
Elane B. Stock	

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 2016 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 21, 2015. 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 2016 Annual Meeting no later than the date specified in our bylaws. If the 2016 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 2016 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 February 1, 2016.

The Board is not aware of any matters that are expected to come before the 2015 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.

**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 27, 2014

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 <i>(State or other jurisdiction of incorporation or organization)</i>	13-3951308 <i>(I.R.S. Employer Identification No.)</i>
1441 Gardiner Lane, Louisville, Kentucky <i>(Address of principal executive offices)</i>	40213 <i>(Zip Code)</i>
(502) 874-8300 <i>Registrant's telephone number, including area code:</i>	

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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• 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).	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• 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.	<input checked="" type="checkbox"/>	
• 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>
Smaller reporting company <input type="checkbox"/>		
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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 14, 2014 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 \$34,800,000,000. 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 10, 2015 was 433,115,252 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, 2015 are incorporated by reference into Part III.

Table of Contents

PART I		2
ITEM 1	Business	2
ITEM 1A	Risk Factors	6
ITEM 1B	Unresolved Staff Comments	9
ITEM 2	Properties	10
ITEM 3	Legal Proceedings	10
ITEM 4	Mine Safety Disclosures	11
PART II		12
ITEM 5	Market for the Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities	12
ITEM 6	Selected Financial Data	14
ITEM 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
ITEM 7A	Quantitative and Qualitative Disclosures About Market Risk	35
ITEM 8	Financial Statements and Supplementary Data	36
ITEM 9	Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	70
ITEM 9A	Controls and Procedures	70
ITEM 9B	Other Information	70
PART III		71
ITEM 10	Directors, Executive Officers and Corporate Governance	71
ITEM 11	Executive Compensation	71
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	71
ITEM 13	Certain Relationships and Related Transactions, and Director Independence	71
ITEM 14	Principal Accountant Fees and Services	71
PART IV		72
ITEM 15	Exhibits and Financial Statement Schedules	72

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 December 27, 2014, YUM consists of five operating segments:

- YUM China (“China” or “China Division”) which includes all operations in mainland China
- YUM India (“India” or “India Division”) which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Prior to 2014, our reporting segments consisted of Yum Restaurants International (“YRI”), the United States, China and India. In the first

quarter of 2014 we changed our management reporting structure to align our global operations outside of China and India by brand. As a result, our YRI and United States reporting segments were combined, and we began reporting this information by three new reporting segments: KFC Division, Pizza Hut Division and Taco Bell Division. China and India remain separate reporting segments. 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 have not been impacted, we have restated our comparable segment information for consistent presentation.

Operating segment information for the years ended December 27, 2014, December 28, 2013 and December 29, 2012 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 and in the related Consolidated Financial Statements in Part II, Item 8.

Narrative Description of Business

General

YUM has over 41,000 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 6,715 units, primarily Company-owned KFCs and Pizza Huts. In 2014, the China Division recorded revenues of approximately \$6.9 billion and Operating Profit of \$713 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 franchisees and a meat processing entity that supplies lamb to the Little Sheep business. The KFC Division comprises 14,197 units, operating in 115 countries outside China and India and recorded revenues of approximately \$3.2 billion and Operating Profit of \$708 million in 2014. The Pizza Hut Division has 13,602 units, operating in 87 countries outside China and India and recorded revenues of approximately \$1.1 billion and Operating Profit of \$295 million in 2014. The Taco Bell Division comprises 6,199 units, operating in 20 countries outside of India, and recorded revenues of approximately \$1.9 billion and Operating Profit of \$480 million in 2014. The India Division, based in Delhi, India comprises 833 units. In 2014, India recorded revenues of \$141 million and an Operating Loss of \$9 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, by 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 120 countries and territories throughout the world. As of year end 2014, KFC had 4,828 units in China, 395 units in India and 14,197 units within the KFC Division. 77 percent of the China units, 51 percent of the India units and 9 percent of the units outside China and India 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 92 countries and territories throughout the world. As of year end 2014, Pizza Hut had 1,572 units in China, 431 units in India and 13,602 units within the Pizza Hut Division. Nearly 100 percent of the China units, none of the India units and 6 percent of the units outside China and India 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. Additionally, a growing percentage of Pizza Hut's customer orders are being generated digitally.

- 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 nearly 5,700 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 2014, there were 6,199 Taco Bell units within the Taco Bell Division, primarily in the U.S., and 7 units in India. 15 percent of the units within the Taco Bell Division 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. In 2014, Taco Bell rolled out breakfast items in its U.S. stores. 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 generate 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 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.

China Division. In China, we partner with approximately 600 independent suppliers, mostly China-based, providing a wide range of products. The Company, along with multiple independently owned and operated distributors, utilizes approximately 20 logistic centers to distribute restaurant products to our Company and franchise stores. We also own a seasoning facility and a non-controlling interest in a meat processing facility in Inner Mongolia, both of which supply products to our Little Sheep business, as well as third-party customers.

Other Divisions. In the U.S., the Company, along with the representatives of the Company's KFC, Pizza Hut and Taco Bell franchisee groups, are members of Restaurant Supply Chain Solutions, LLC ("RSCS"), which is responsible for purchasing certain restaurant products and equipment. The core mission of 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 which the Company believes leverages the system's scale to drive cost savings and effectiveness in the purchasing function. The Company also believes that 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. In the U.S., 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.

Outside the U.S., we and our franchisees use decentralized sourcing and distribution systems involving many different global, regional and local suppliers and distributors. We have approximately 3,000 suppliers, 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 and the Consolidated Statements of Cash Flows in Part II, Item 8.

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 (KFC and Pizza Hut Divisions); Irvine, California (Taco Bell Division); Louisville, Kentucky (KFC U.S.) and several other locations outside the U.S. The Company expensed \$30 million, \$31 million and \$30 million in 2014, 2013 and 2012, 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 2014, there were no material capital expenditures for environmental control facilities and no such material expenditures are anticipated.

Government Regulation

U.S. Operations. The Company and its U.S. operations are subject to various federal, state and local laws affecting its business, including laws and regulations concerning information security, labor, health,

sanitation and safety. 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.

International, China and India Operations. 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. The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment, as well as anti-bribery and corruption laws.

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

Employees

As of year end 2014, the Company and its Concepts employed approximately 537,000 persons, approximately 87 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 is incorporated herein by reference from the related Consolidated Financial Statements in Part II, Item 8.

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), consumer preferences, taxation (including income and non-income based tax rates and laws) and the regulatory environment, as well as increased media scrutiny of our business and industry 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, such as the Russian Ruble, 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 financial and other information about our customers and employees. The use of this information is regulated by evolving and increasingly demanding laws, as well as by certain third-party contracts. If our security and information systems are compromised as a result of data corruption or loss, cyber-attack or a network security incident 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 and government enforcement actions 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.

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 18 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, as well as 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.
- Laws and regulations in government-mandated health care benefits such as the Patient Protection and Affordable Care Act.
- Laws relating to state and local licensing.
- Laws and regulations relating to health, sanitation, food, workplace safety, child labor, including laws prohibiting the use of certain "hazardous equipment" by employees younger than the age of 18 years of age, and fire safety and prevention.
- Laws and regulations relating to union organizing rights and activities.
- Laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud.
- Environmental regulations.
- Federal and state immigration laws and regulations in the U.S.

Compliance with new or existing laws and regulations could impact our operations. 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 profit is 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. These reviews could include challenges of our methodologies for transfer pricing. 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. This includes potential changes in tax laws or the interpretation of tax laws arising out of the Base Erosion Profit Shifting project initiated by the Organization for Economic Co-operation and Development.

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 2014 fiscal year and that remain unresolved.

ITEM 2 Properties

As of year end 2014, the Company's Concepts owned approximately 900 units and leased land, building or both for approximately 7,775 units worldwide. These units are further detailed as follows:

- The China Division leased land, building or both in approximately 5,425 units.
- The KFC Division owned approximately 250 units and leased land, building or both in approximately 1,075 units.
- The Pizza Hut Division owned approximately 75 units and leased land, building or both in approximately 725 units.
- The Taco Bell Division owned approximately 550 units and leased land, building or both in approximately 375 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 land, buildings or both in approximately 875 units, not included in the property counts above, that it leases or subleases to franchisees, principally in the U.S., U.K., China and Mexico.

The China Division leases their corporate headquarters and research facilities in Shanghai, China. The KFC Division and Pizza Hut Division corporate headquarters and a KFC and Pizza Hut research facility in Plano, Texas are owned by Pizza Hut. Taco Bell leases its corporate headquarters and research facility in Irvine, California. The YUM corporate headquarters and a KFC research facility in Louisville, Kentucky are owned by the Company. Additional information about the Company's properties is included in the Consolidated Financial Statements in Part II, Item 8.

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. Matters faced by the Company include, but are not limited to, claims from franchisees, suppliers, employees, customers and others related to operational, contractual or employment issues as well as claims that the Company has infringed on third party intellectual property rights. In addition, the

Company brings claims from time-to-time relating to infringement of, or challenges to, our intellectual property, including registered marks. Finally, as a publicly-traded company, disputes arise from time to time with our shareholders, including allegations that the Company breached federal securities laws or that officers and/or directors breached fiduciary duties. Descriptions of current specific claims and contingencies appear in Note 18, Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, which Note is incorporated by reference into this item.

ITEM 4 Mine Safety Disclosures

Not applicable

Executive Officers of the Registrant

The executive officers of the Company as of February 17, 2015, and their ages and current positions as of that date are as follows:

David C. Novak, 62, is Executive Chairman of the Board of YUM. He has served in this position since January 2015. Prior to this position, he served as Chairman of the Board and Chief Executive Officer of YUM from January 2001 to December 2014.

Greg Creed, 57, is Chief Executive Officer of YUM. He has served in this position since January 2015. He served as Chief Executive Officer of Taco Bell Division from January 2014 to December 2014 and as Chief Executive Officer of Taco Bell U.S. from 2011 to December 2013. Prior to this position, Mr. Creed served as President and Chief Concept Officer of Taco Bell U.S., a position he held beginning in December 2006.

Jing-Shyh S. Su, 62, 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 China from 1997 to May 2010.

Jonathan D. Blum, 56, 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, 56, is Chief People Officer of YUM. She has served in this position since December 2002.

Christian L. Campbell, 64, 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.

Roger Eaton, 54, is President of KFC Division and Chief Operations Officer of YUM. He has served as President of KFC Division 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.

David Gibbs, 51, is Chief Executive Officer of Pizza Hut Division. He has served in this position since January 2015. From January 2014 to

December 2014, Mr. Gibbs served as President of Pizza Hut U.S. Prior to this position, Mr. Gibbs served as President and Chief Financial Officer of Yum! Restaurants International, Inc. ("YRI") from May 2012 through December 2013. Mr. Gibbs served as Chief Financial Officer of YRI from January 2011 to April 2012. He was Chief Financial Officer of Pizza Hut U.S. from September 2005 to December 2010.

Patrick Grismer, 53, 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 of YUM, a position he held beginning January 2011. Mr. Grismer served as Chief Financial Officer of YRI from June 2008 to January 2011.

Brian Niccol, 40, is Chief Executive Officer of Taco Bell Division, a position he has held since January 2015. From January 2014 to December 2014, Mr. Niccol served as President of Taco Bell Division. From May 2013 to December 2013 Mr. Niccol served as President of Taco Bell U.S. Mr. Niccol served as Chief Marketing and Innovation Officer of Taco Bell U.S. from October 2011 to April 2013. Prior to this position, he served as General Manager of Pizza Hut U.S. from February 2011 to September 2011. From September 2007 to January 2011 he was Chief Marketing Officer of Pizza Hut U.S.

Muktesh Pant, 60, is Chief Executive Officer of KFC Division. 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 Chief Marketing Officer of YRI from July 2005 to May 2010.

David E. Russell, 45, 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.

2014

Quarter	High	Low	Dividends Declared
First	\$ 77.40	\$ 66.16	\$ 0.37
Second	79.99	73.20	0.37
Third	83.29	69.40	—
Fourth	78.36	67.23	0.82

2013

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

In 2014, the Company declared two cash dividends of \$0.37 per share and two cash dividends of \$0.41 per share of Common Stock, one of which had a distribution date of February 6, 2015. 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. The Company targets an annual dividend payout ratio of 40% to 45% of net income.

As of February 10, 2015, there were 58,368 registered holders of record of the Company's Common Stock.

Issuer Purchases of Equity Securities

The following table provides information as of December 27, 2014 with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

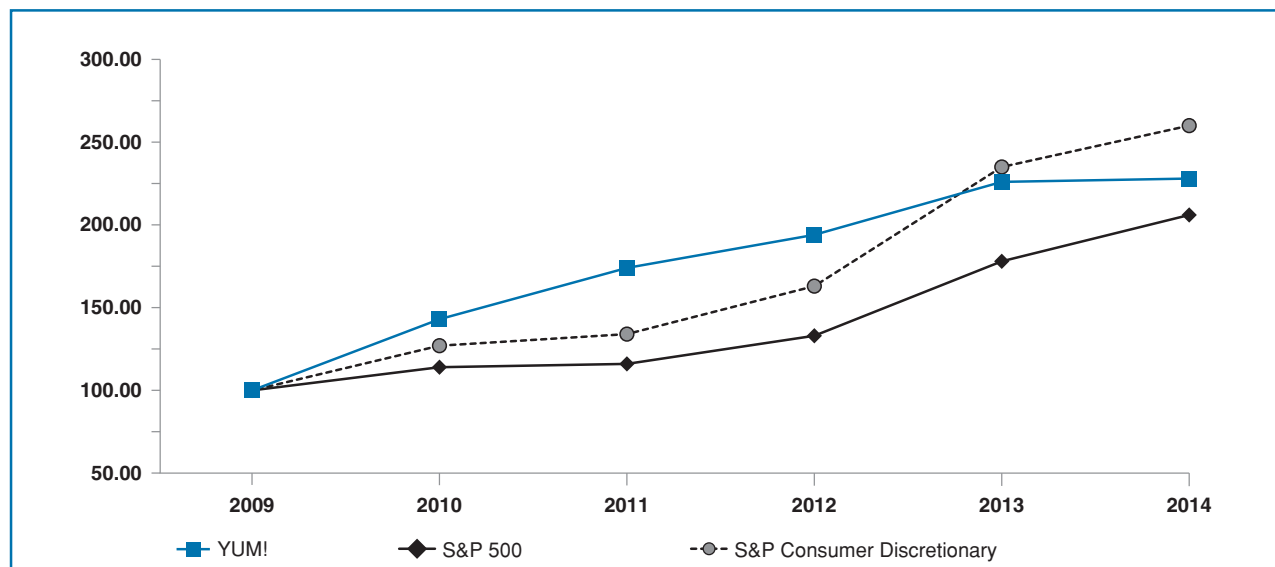
Fiscal Periods	Total number of shares purchased (thousands)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (thousands)	Approximate dollar value of shares that may yet be purchased under the plans or programs (millions)
Period 10 9/7/14 - 10/4/14	—	\$ —	—	\$ 443
Period 11 10/5/14 - 11/1/14	1,836	\$ 68.53	1,836	\$ 317
Period 12 11/2/14 - 11/29/14	871	\$ 73.73	871	\$ 1,253
Period 13 11/30/14 - 12/27/14	1,689	\$ 71.02	1,689	\$ 1,133
Total	4,396	\$ 70.52	4,396	\$ 1,133

On November 22, 2013, our Board of Directors authorized share repurchases through May 2015 of up to \$750 million (excluding applicable transaction fees) of our outstanding Common Stock. On November 20, 2014, our Board of Directors authorized additional

share repurchases through May 2016 of up to \$1 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 27, 2014, we have remaining capacity to repurchase up to \$1.1 billion 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 24, 2009 to December 26, 2014, the last trading day of our 2014 fiscal year. The graph assumes that the value of the investment in our Common Stock and each index was \$100 at December 24, 2009 and that all dividends were reinvested.



	12/24/2009	12/23/2010	12/30/2011	12/28/2012	12/27/2013	12/26/2014
YUM!	\$ 100	\$ 143	\$ 174	\$ 194	\$ 226	\$ 228
S&P 500	\$ 100	\$ 114	\$ 116	\$ 133	\$ 178	\$ 206
S&P Consumer Discretionary	\$ 100	\$ 127	\$ 134	\$ 163	\$ 235	\$ 260

ITEM 6 Selected Financial Data

Selected Financial Data

YUM! Brands, Inc. and Subsidiaries

(in millions, except per share and unit amounts)	Fiscal Year				
	2014	2013	2012	2011 ^(h)	2010
Income Statement Data					
Revenues					
Company sales	\$ 11,324	\$ 11,184	\$ 11,833	\$ 10,893	\$ 9,783
Franchise and license fees and income	1,955	1,900	1,800	1,733	1,560
Total	13,279	13,084	13,633	12,626	11,343
Closures and impairment income (expenses) ^(a)	(535)	(331)	(37)	(135)	(47)
Refranchising gain (loss) ^(b)	33	100	78	(72)	(63)
Operating Profit ^(c)	1,557	1,798	2,294	1,815	1,769
Interest expense, net ^(c)	130	247	149	156	175
Income before income taxes	1,427	1,551	2,145	1,659	1,594
Net Income – including noncontrolling interest	1,021	1,064	1,608	1,335	1,178
Net Income – YUM! Brands, Inc.	1,051	1,091	1,597	1,319	1,158
Basic earnings per common share	2.37	2.41	3.46	2.81	2.44
Diluted earnings per common share	2.32	2.36	3.38	2.74	2.38
Diluted earnings per common share before Special Items ^(c)	3.09	2.97	3.25	2.87	2.53
Cash Flow Data					
Provided by operating activities	\$ 2,049	\$ 2,139	\$ 2,294	\$ 2,170	\$ 1,968
Capital spending, excluding acquisitions and investments	1,033	1,049	1,099	940	796
Proceeds from refranchising of restaurants	114	260	364	246	265
Repurchase shares of Common Stock	820	770	965	752	371
Dividends paid on Common Stock	669	615	544	481	412
Balance Sheet Data					
Total assets	\$ 8,345	\$ 8,695	\$ 9,013	\$ 8,834	\$ 8,316
Long-term debt	3,077	2,918	2,932	2,997	2,915
Total debt	3,344	2,989	2,942	3,317	3,588
Other Data					
Number of stores at year end					
Company	8,664	8,097	7,544	7,403	7,238
Unconsolidated Affiliates	757	716	660	587	525
Franchisees & licensees	32,125	31,420	30,733	29,056	29,998
System	41,546	40,233	38,937	37,046	37,761
China system sales growth ^(d)					
Reported	1%	(1)%	23%	35%	18%
Local currency ^(e)	1%	(4)%	20%	29%	17%
KFC Division system sales growth ^{(d)(f)}					
Reported	2%	—%	2%	9%	N/A
Local currency ^(e)	6%	3%	6%	4%	N/A
Pizza Hut Division system sales growth ^{(d)(f)}					
Reported	—%	—%	2%	5%	N/A
Local currency ^(e)	1%	1%	5%	2%	N/A
Taco Bell Division system sales growth ^{(d)(f)}					
Reported	4%	4%	7%	1%	N/A
Local currency ^(e)	4%	4%	9%	(1)%	N/A
India system sales growth ^{(d)(g)}					
Reported	(1)%	11%	13%	36%	43%
Local currency ^(e)	3%	20%	29%	35%	36%
Shares outstanding at year end	434	443	451	460	469
Cash dividends declared per Common Share	\$ 1.56	\$ 1.41	\$ 1.24	\$ 1.07	\$ 0.92
Market price per share at year end	\$ 73.14	\$ 73.87	\$ 64.72	\$ 59.01	\$ 49.66

(a) Closures and impairment income (expense) includes \$463 million and \$295 million of Little Sheep impairment losses in 2014 and 2013 respectively, (See Note 4). Additionally, 2011 included \$80 million of net losses related to the divestitures of the Long John Silver's and A&W All American Food Restaurants brands.

(b) See Note 4 for discussion of Refranchising gain (loss) for fiscal years 2014, 2013 and 2012. Fiscal year 2011 included a charge of \$76 million as a result of our decision to rebrand or close all of our remaining Company-owned Pizza Hut UK dine-in restaurants. Fiscal year 2010 included a \$52 million loss on the rebranding 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 and Special Items are not included in any of our segment results. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of earnings before Special Items provides additional information to investors to facilitate the comparison of past and present results, excluding items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

2014, 2013 and 2012 Special Items are described in further detail within our Management's Discussion and Analysis of Financial Condition and Results of Operations. Special Items in 2011 negatively impacted Operating Profit by \$187 million, primarily due to \$86 million in losses and other costs relating to the Long John Silvers and A&W All American Food divestitures and \$76 million in losses as a result of our decision to rebrand or close all of our remaining Company-owned Pizza Hut UK dine-in restaurants. Special Items in 2010 negatively impacted Operating Profit by \$77 million, primarily due to \$59 million in rebranding losses for equity markets outside the U.S. and U.S. rebranding net losses of \$18 million. Special items above resulted in cumulative net tax benefits of \$123 million and \$7 million in 2011 and 2010, 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 typically generate ongoing franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

(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.

(f) In the first quarter of 2014, we changed our management reporting structure to align our global operations outside of China and India. We have restated our comparable segment information back to 2010. Since 2009 was not restated, system sales growth in 2010 is not readily available.

(g) Effective the beginning of 2014, results from our 28 Mauritius stores are included in KFC and Pizza Hut Divisions as applicable. While there was no impact to our consolidated results, this change negatively impacted India's 2014 reported and local currency system sales growth by 10% and 11%, respectively.

(h) Fiscal years 2014, 2013, 2012 and 2010 include 52 weeks and fiscal year 2011 includes 53 weeks. Our fiscal calendar results in a 53rd week every five or six years. This impacts all of our U.S. businesses and certain of our international businesses that report on a period, as opposed to a monthly, basis within our global brand divisions. Our China and India Divisions report on a monthly basis and thus did not have a 53rd week in 2011.

The estimated impacts of the 53rd week on Company sales, Franchise and license fees and income and Operating Profit in 2011 were increases of \$72 million, \$19 million and \$25 million, respectively. The \$25 million Operating Profit benefit was offset throughout 2011 by investments, including franchise development incentives, as well as higher-than-normal spending, such as restaurant closures within our global brand divisions.

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 ("Financial Statements") and the Forward-Looking Statements and the Risk Factors set forth in Item 1A.

YUM! Brands, Inc. ("YUM" or the "Company") operates, franchises or licenses a worldwide system of over 41,000 restaurants in more than 125 countries and territories operating primarily under the KFC, Pizza Hut or Taco Bell (collectively the "Concepts") brands. These three Concepts are the global leaders in the chicken, pizza and Mexican-style food categories, respectively. Of the over 41,000 restaurants, 21% are operated by the Company and 79% are operated by franchisees, licensees or unconsolidated affiliates.

The Company is focused on the following key growth strategies:

- Building Powerful Brands Through Superior Marketing, Breakthrough Innovation and Compelling Value with a Foundation Built on Winning Food and World Class Operations
- Driving Aggressive Unit Expansion Everywhere, Especially in Emerging Markets, and Building Leading Brands in Every Significant Category in China and India
- Creating Industry Leading Returns Through Franchising and Disciplined Use of Capital, Maximizing Long-term Shareholder Value

As of December 27, 2014, YUM consists of five operating segments:

- YUM China ("China" or "China Division") which includes all operations in mainland China
- YUM India ("India" or "India Division") which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Prior to 2014, our reporting segments consisted of Yum Restaurants International ("YRI"), the United States, China and India. In the first quarter of 2014 we changed our management reporting structure to align our global operations outside of China and India by brand. As a result, our YRI and United States reporting segments were combined, and we began reporting this information by three new reporting segments: KFC Division, Pizza Hut Division and Taco Bell Division. China and India remain separate reporting segments. 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 have not been impacted, we have restated our comparable segment information for consistent presentation.

Our ongoing earnings growth model targets a 10% earnings per share ("EPS") growth rate, which is based on our ongoing Operating Profit growth targets of 15% in China, 10% for our KFC Division, 8% for our Pizza Hut Division and 6% for our Taco Bell Division. While we believe India is a significant long-term growth driver, our ongoing earnings growth model currently assumes no impact from India growth. See the Division discussions within the Results of Operations of this MD&A for further details of our Divisional growth models.

2015 EPS, prior to Special Items, is expected to grow at least 10%, consistent with our ongoing targeted growth rate. This includes an expected negative impact of approximately \$75 million from foreign currency translation.

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

- The Company provides certain percentage changes excluding the impact of foreign currency translation ("FX" or "Forex"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise, unconsolidated affiliate and license restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise, unconsolidated affiliate and license restaurants typically generate ongoing franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the YUM system one year or more. 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 ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analysis, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.
- In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") throughout this MD&A, the Company provides non-GAAP measurements which present operating results on a basis before items that we have deemed Special. The Company uses earnings before Special Items as a key

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

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

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago and exclude the impact of Special Items. All system sales growth and Operating Profit comparisons exclude the impact of foreign currency.

2014 diluted EPS increased by 4% to \$3.09 per share as our China Division, which is our largest profit contributor, had its sales and profits significantly impacted by adverse publicity in July surrounding improper food handling practices by a former supplier.

Specifically, on July 20, 2014, an undercover report was televised in China depicting improper food handling practices by supplier Shanghai Hushi, a division of OSI, which is a large, global supplier to many in the restaurant industry. This triggered extensive news coverage in China that shook consumer confidence and impacted brand usage. Subsequently, the Shanghai FDA (SFDA) launched an investigation into this matter, alleging illegal activity by OSI. Upon learning of these events we terminated our relationship with OSI globally with minimal disruption to our menu offerings in China. Even though OSI was a minor supplier, sales at KFC and Pizza Hut were disproportionately impacted given our category-leading positions. Since July 21st, China Division has experienced a significant, negative impact to sales and profits at both KFC and Pizza Hut.

Prior to that incident, YUM experienced a strong first half of the year with China Division Operating Profit increasing 113% and EPS increasing 27% through the first two quarters of 2014. At that point the Company believed it was well on its way to recovering from a 9% EPS decline in 2013, which was driven by declines in KFC China sales and

profits due to intense media surrounding an investigation by the SFDA into our poultry supply management that began in December 2012, coupled with additional intense media in April 2013 surrounding Avian Flu in China.

As a result of two supplier incidents impacting KFC China sales in a relatively short period of time, the recovery at KFC China has been slower than expected with same-store sales declining 18% in the fourth quarter of 2014. Our Pizza Hut business in China, which was only impacted by the 2014 supplier incident, is recovering more quickly. China Division same-store sales and Operating Profit declined 5% and 8%, respectively, for the full year 2014.

Also during 2014:

- KFC Division system sales and Operating Profit increased by 6% and 13%, respectively. Same store sales grew 3% and the Division opened 666 new international units.
- Pizza Hut Division grew system sales by 1% and Operating Profit declined 13%. Same-store sales declined 1% and the Division opened 465 new international units.
- Taco Bell Division system sales and Operating Profit increased by 4% and 5%, respectively. Same-store sales increased 3% and the Division opened 236 new units.
- Foreign currency translation negatively impacted Operating Profit by \$27 million.
- Our effective tax rate decreased from 28.0% in 2013 to 25.5% in 2014.

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Worldwide

The Consolidated Results of Operations for the years to date ended December 27, 2014, December 28, 2013 and December 29, 2012 are presented below:

	Amount			% B/(W)	
	2014	2013	2012	2014	2013
Company sales	\$ 11,324	\$ 11,184	\$ 11,833	1	(5)
Franchise and license fees and income	1,955	1,900	1,800	3	6
Total revenues	\$ 13,279	\$ 13,084	\$ 13,633	1	(4)
Restaurant profit	\$ 1,642	\$ 1,683	\$ 1,981	(2)	(15)
Restaurant Margin %	14.5%	15.0%	16.7%	(0.5) ppts.	(1.7) ppts.
Operating Profit	\$ 1,557	\$ 1,798	\$ 2,294	(13)	(22)
Interest expense, net	130	247	149	47	(66)
Income tax provision	406	487	537	17	9
Net Income – including noncontrolling interests	1,021	1,064	1,608	(4)	(34)
Net Income (loss) – noncontrolling interests	(30)	(27)	11	(12)	NM
Net Income – YUM! Brands, Inc.	\$ 1,051	\$ 1,091	\$ 1,597	(4)	(32)
Diluted EPS ^(a)	\$ 2.32	\$ 2.36	\$ 3.38	(2)	(30)
Diluted EPS before Special Items ^(a)	\$ 3.09	\$ 2.97	\$ 3.25	4	(9)
Reported Effective tax rate	28.5%	31.4%	25.0%		
Effective tax rate before Special Items	25.5%	28.0%	25.8%		

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

	2014	2013
System Sales Growth, reported	2%	1%
System Sales Growth, excluding FX	3%	2%

Unit Count	2014	2013	2012	% Increase (Decrease)	
				2014	2013
Franchise & License	32,125	31,420	30,733	2	2
Company-owned	8,664	8,097	7,544	7	7
Unconsolidated Affiliates	757	716	660	6	8
	41,546	40,233	38,937	3	3

Special Items

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

Detail of Special Items	Year		
	2014	2013	2012
Little Sheep impairment (See Note 4)	\$ (463)	\$ (295)	\$ —
Gain upon acquisition of Little Sheep (See Note 4)	—	—	74
U.S. Refranchising gain (loss) (See Note 17)	6	91	\$ 122
Pension settlement charges (See Note 4)	—	(10)	(84)
Losses associated with the refranchising of the Pizza Hut UK dine-in business (See Note 4)	—	(1)	(70)
Other Special Items Income (Expense) ^(a)	10	(7)	16
Special Items Income (Expense) – Operating Profit	(447)	(222)	58
Losses related to the extinguishment of debt – Interest Expense, net (See Note 4)	—	(118)	—
Special Items Income (Expense) before income taxes	(447)	(340)	58
Tax Benefit (Expense) on Special Items ^(b)	72	41	1
Special Items Income (Expense), net of tax – including noncontrolling interests	(375)	(299)	59
Special Items Income (Expense), net of tax – noncontrolling interests	26	19	—
Special Items Income (Expense), net of tax – YUM! Brands, Inc.	\$ (349)	\$ (280)	\$ 59
Average diluted shares outstanding	453	461	473
Special Items diluted EPS	\$ (0.77)	\$ (0.61)	\$ 0.13
Reconciliation of Operating Profit Before Special Items to Reported Operating Profit			
Operating Profit before Special Items	\$ 2,004	\$ 2,020	\$ 2,236
Special Items Income (Expense) – Operating Profit	(447)	(222)	58
Reported Operating Profit	\$ 1,557	\$ 1,798	\$ 2,294
Reconciliation of EPS Before Special Items to Reported EPS			
Diluted EPS before Special Items	\$ 3.09	\$ 2.97	\$ 3.25
Special Items EPS	(0.77)	(0.61)	0.13
Reported EPS	\$ 2.32	\$ 2.36	\$ 3.38
Reconciliation of Effective Tax Rate Before Special Items to Reported Effective Tax Rate			
Effective Tax Rate before Special Items	25.5%	28.0%	25.8%
Impact on Tax Rate as a result of Special Items ^(b)	3.0%	3.4%	(0.8)%
Reported Effective Tax Rate	28.5%	31.4%	25.0%

(a) Other Special Items Income (Expense) in 2014 primarily includes gains of \$7 million from real estate sales related to our previously refranchised Mexico business. In connection with the 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 primarily 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 primarily 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 period 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.

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

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

China Division

The China Division has 6,715 units, predominately KFC and Pizza Hut Casual Dining restaurants which are the leading quick service and casual dining restaurant brands, respectively, in mainland China. Given our strong competitive position, a growing economy and a population of approximately 1.4 billion in mainland China, the Company is focused on rapidly adding KFC and Pizza Hut Casual Dining restaurants and accelerating the development of Pizza Hut Home Service (home delivery). 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 annual Operating Profit growth of 15%.

See the Results of Operations Summary above for discussion of items impacting China's 2014 performance.

	2014	2013	2012	% B/(W)		% B/(W)	
				2014		2013	
				Reported	Ex FX	Reported	Ex FX
Company sales	\$ 6,821	\$ 6,800	\$ 6,797	—	1	—	(3)
Franchise and license fees and income	113	105	101	7	7	4	2
Total revenues	\$ 6,934	\$ 6,905	\$ 6,898	—	1	—	(3)
Restaurant profit	\$ 1,009	\$ 1,050	\$ 1,233	(4)	(4)	(15)	(17)
Restaurant margin %	14.8%	15.4%	18.1%	(0.6) ppts.	(0.6) ppts.	(2.7) ppts.	(2.7) ppts.
G&A expenses	\$ 391	\$ 357	\$ 334	(9)	(9)	(7)	(5)
Operating Profit	\$ 713	\$ 777	\$ 1,015	(8)	(8)	(23)	(26)

	2014	2013
System Sales Growth, reported	1%	(1)%
System Sales Growth, excluding FX	1%	(4)%
Same-Store Sales Growth (Decline)%	(5)%	(13)%

Unit Count	2014	2013	2012	% Increase (Decrease)	
				2014	2013
Company-owned	5,417	5,026	4,547	8	11
Unconsolidated Affiliates	757	716	660	6	8
Franchise & License	541	501	519	8	(3)
Total	6,715	6,243	5,726	8	9

	2013	New Builds	Closures	Refranchised	Acquired	2014
Company-owned	5,026	664	(195)	(79)	1	5,417
Unconsolidated Affiliates	716	56	(14)	(1)	—	757
Franchise & License	501	17	(56)	80	(1)	541
Total	6,243	737	(265)	—	—	6,715

	2012	New Builds	Closures	Refranchised	Acquired	2013
Company-owned	4,547	664	(158)	(28)	1	5,026
Unconsolidated Affiliates	660	66	(10)	—	—	716
Franchise & License	519	10	(55)	28	(1)	501
Total	5,726	740	(223)	—	—	6,243

Company Sales and Restaurant Profit

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

Income / (Expense)	2014 vs. 2013				
	2013	Store Portfolio Actions	Other	FX	2014
Company sales	\$ 6,800	\$ 358	\$ (322)	\$ (15)	\$ 6,821
Cost of sales	(2,258)	(104)	151	4	(2,207)
Cost of labor	(1,360)	(75)	26	2	(1,407)
Occupancy and other	(2,132)	(124)	52	6	(2,198)
Restaurant profit	\$ 1,050	\$ 55	\$ (93)	\$ (3)	\$ 1,009
	15.4%				14.8%

Income / (Expense)	2013 vs. 2012				
	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
	18.1%				15.4%

In 2014, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were wage rate inflation of 9% and same-store sales declines of 5% which led to inefficiencies in Cost of sales, partially offset by labor efficiencies and lower advertising expense. See the Summary at the beginning of this section for discussion of China sales.

In 2013, the increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth and the 2012 acquisition of Little Sheep. 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. See the Summary at the beginning of this section for discussion of China sales.

Franchise and License Fees and Income

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by the impact of refranchising, partially offset by franchise same-store sales declines.

In 2013, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by refranchising and franchise net new unit development, partially offset by franchise same-store sales declines.

G&A Expenses

In 2014, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by compensation costs due to higher headcount and wage inflation.

In 2013, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by increased compensation costs 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.

Operating Profit

In 2014, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales declines, higher restaurant operating costs and higher G&A expenses, partially offset by net new unit growth and increased Other income due to an insurance recovery related to the 2012 poultry supply incident. See the Summary at the beginning of this section for discussion of China sales.

In 2013, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales declines at KFC, partially offset by the impact of net new unit growth and restaurant operating efficiencies. See the Summary at the beginning of this section for discussion of China sales.

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

KFC Division

The KFC Division has 14,197 units, approximately 70% of which are located outside the U.S. The KFC Division has experienced significant unit growth in emerging markets, which comprised approximately 40% of both the Division's units and profits, respectively, as of the end of 2014. Additionally, 91% of the KFC Division units were operated by franchisees and licensees as of the end of 2014. Our ongoing earnings growth model for the KFC Division includes low-single-digit percentage net unit and same store sales growth. This combined with restaurant margin improvement and leverage of our G&A structure is expected to drive annual Operating Profit growth of 10%.

	2014	2013	2012	% B/(W)		% B/(W)	
				2014		2013	
				Reported	Ex FX	Reported	Ex FX
Company sales	\$ 2,320	\$ 2,192	\$ 2,212	6	9	(1)	1
Franchise and license fees and income	873	844	802	4	7	5	8
Total revenues	\$ 3,193	\$ 3,036	\$ 3,014	5	8	1	3
Restaurant profit	\$ 308	\$ 277	\$ 298	12	14	(7)	(5)
Restaurant margin %	13.3%	12.6%	13.5%	0.7 ppts.	0.7 ppts.	(0.9) ppts.	(0.9) ppts.
G&A expenses	\$ 383	\$ 391	\$ 400	2	—	2	1
Operating Profit	\$ 708	\$ 649	\$ 626	9	13	4	7

	2014	2013
System Sales Growth, reported	2%	—%
System Sales Growth, excluding FX	6%	3%
Same-Store Sales Growth %	3%	1%

Unit Count	2014	2013	2012	% Increase (Decrease)	
				2014	2013
Franchise & License	12,874	12,647	12,446	2	2
Company-owned	1,323	1,257	1,166	5	8
Total	14,197	13,904	13,612	2	2

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	12,647	553	(356)	39	(4)	(5)	12,874
Company-owned	1,257	123	(22)	(39)	4	—	1,323
Total	13,904	676	(378)	—	—	(5)	14,197

	2012	New Builds	Closures	Refranchised	Acquired	Other	2013
Franchise & License	12,446	558	(353)	58	(71)	9	12,647
Company-owned	1,166	101	(23)	(58)	71	—	1,257
Total	13,612	659	(376)	—	—	9	13,904

Company Sales and Restaurant Profit

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

Income / (Expense)	2014 vs. 2013				
	2013	Store Portfolio Actions	Other	FX	2014
Company sales	\$ 2,192	\$ 110	\$ 79	\$ (61)	\$ 2,320
Cost of sales	(766)	(43)	(26)	26	(809)
Cost of labor	(521)	(25)	(16)	10	(552)
Occupancy and other	(628)	(38)	(3)	18	(651)
Restaurant profit	\$ 277	\$ 4	\$ 34	\$ (7)	\$ 308
	12.6%				13.3%

Income / (Expense)	2013 vs. 2012				2013
	2012	Store Portfolio Actions	Other	FX	
Company sales	\$ 2,212	\$ (19)	\$ 35	\$ (36)	\$ 2,192
Cost of sales	(766)	—	(15)	15	(766)
Cost of labor	(541)	14	(1)	7	(521)
Occupancy and other	(607)	(9)	(21)	9	(628)
Restaurant profit	\$ 298	\$ (14)	\$ (2)	\$ (5)	\$ 277
	13.5%				12.6%

In 2014, the increase in Company sales associated with store portfolio actions was driven by international net new unit growth and the impact of the acquisition of restaurants in Turkey from an existing franchisee in April 2013, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were Company same-store sales growth of 4%, which was partially offset by higher restaurant operating costs in international markets.

In 2013, the decrease in Company sales and Restaurant Profit associated with store portfolio actions was driven by refranchising in the U.S., partially offset by international net new unit growth and the impact of the acquisition of restaurants in Turkey from an existing franchisee in April 2013. Significant other factors impacting Company sales and/or Restaurant profit were higher restaurant operating costs in international markets and higher commodity costs, which was offset by Company same-store sales growth of 2%.

Franchise and License Fees and Income

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by international growth in net new units and same-store sales growth.

In 2013, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by international growth in net new units and same-store sales growth as well as U.S. refranchising initiatives.

G&A Expenses

In 2014, G&A expenses, excluding the impact of foreign currency translation, were even with prior year as the impact of higher headcount in strategic international markets, higher incentive compensation costs and the impact of the acquisition of restaurants in Turkey from an existing franchisee in April 2013 was offset by lower pension costs in 2014 including the favorable resolution of a pension issue in the UK.

In 2013, the decrease in G&A expenses, excluding the impact of foreign currency translation, was driven by lower incentive compensation costs, lapping higher U.S. litigation costs, and our U.S. refranchising initiatives, partially offset by higher headcount in international strategic growth markets.

Operating Profit

In 2014, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by growth in same-store sales and net new units, partially offset by higher restaurant operating costs in international markets.

In 2013, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by growth in same-store sales and net new units, partially offset by higher restaurant operating costs in international markets.

Pizza Hut Division

The Pizza Hut Division has 13,602 units, approximately 60% of which are located in the U.S. The Pizza Hut Division operates as one brand that uses multiple distribution channels including delivery, dine-in and express (e.g. airports). Emerging markets comprised approximately 20% of both units and profits for the Division as of the end of 2014. Additionally, 94% of the Pizza Hut Division units were operated by franchisees and licensees as of the end of 2014. Our ongoing earnings growth model for the Pizza Hut Division includes 3 - 4 percentage points of net unit growth and low-single-digit same-store sales growth. This combined with restaurant margin improvement and leverage of our G&A structure is expected to drive annual Operating Profit growth of 8%.

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

				% B/(W)		% B/(W)	
	2014	2013	2012	2014		2013	
				Reported	Ex FX	Reported	Ex FX
Company sales	\$ 607	\$ 609	\$ 993	—	(1)	(39)	(39)
Franchise and license fees and income	541	538	517	1	2	4	5
Total revenues	\$ 1,148	\$ 1,147	\$ 1,510	—	1	(24)	(24)
Restaurant profit	\$ 50	\$ 71	\$ 110	(30)	(32)	(36)	(36)
Restaurant margin %	8.2%	11.7%	11.2%	(3.5) ppts.	(3.7) ppts.	0.5 ppts.	0.4 ppts.
G&A expenses	\$ 246	\$ 224	\$ 258	(10)	(11)	13	13
Operating Profit	\$ 295	\$ 339	\$ 320	(13)	(13)	6	7

	2014	2013
System Sales Growth, reported	—%	—%
System Sales Growth, excluding FX	1%	1%
Same-Store Sales Growth (Decline)%	(1)%	(1)%

Unit Count				% Increase (Decrease)	
	2014	2013	2012	2014	2013
Franchise & License	12,814	12,601	12,393	2	2
Company-owned	788	732	667	8	10
	13,602	13,333	13,060	2	2

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	12,601	586	(359)	6	(19)	(1)	12,814
Company-owned	732	91	(48)	(6)	19	—	788
Total	13,333	677	(407)	—	—	(1)	13,602

	2012	New Builds	Closures	Refranchised	Acquired	Other	2013
Franchise & License	12,393	612	(363)	22	(60)	(3)	12,601
Company-owned	667	80	(53)	(22)	60	—	732
Total	13,060	692	(416)	—	—	(3)	13,333

Company Sales and Restaurant Profit

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

Income / (Expense)	2014 vs. 2013				
	2013	Store Portfolio Actions	Other	FX	2014
Company sales	\$ 609	\$ 21	\$ (24)	\$ 1	\$ 607
Cost of sales	(173)	(7)	—	—	(180)
Cost of labor	(183)	(9)	4	—	(188)
Occupancy and other	(182)	(8)	—	1	(189)
Restaurant profit	\$ 71	\$ (3)	\$ (20)	\$ 2	\$ 50
	11.7%				8.2%

Income / (Expense)	2013 vs. 2012				2013
	2012	Store Portfolio Actions	Other	FX	
Company sales	\$ 993	\$ (381)	\$ (6)	\$ 3	\$ 609
Cost of sales	(259)	88	(1)	(1)	(173)
Cost of labor	(305)	119	4	(1)	(183)
Occupancy and other	(319)	145	(8)	—	(182)
Restaurant profit	\$ 110	\$ (29)	\$ (11)	\$ 1	\$ 71
	11.2%				11.7%

In 2014, the increase in Company sales associated with store portfolio actions was driven by the impact of net new unit growth, the acquisition of restaurants in the U.S. and the acquisition of restaurants in Turkey from an existing franchisee in April 2013, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales declines of 4%, commodity inflation, primarily in the U.S., and higher self-insurance costs.

In 2013, the decrease in 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, partially offset by the acquisition of restaurants in Turkey from an existing franchisee in April 2013 and net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were higher restaurant operating costs, including commodity inflation primarily in the U.S., and company same-store sales declines of 1%.

Franchise and License Fees and Income

In 2014, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by net new unit growth, partially offset by same-store sales declines.

In 2013, the increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by the refranchising of our remaining Company-owned Pizza Hut dine-in restaurants in the UK in the fourth quarter of 2012 and net new unit growth.

G&A Expenses

In 2014, the increase in G&A expenses, excluding the impact of foreign currency translation, was driven by strategic investments in international G&A, higher litigation costs and lapping a pension curtailment gain in the first quarter of 2013 related to one of our UK pension plans, partially offset by lower pension costs in the U.S.

In 2013, the decrease in G&A expenses, excluding the impact of foreign currency translation, was driven by the refranchising of our remaining Company-owned Pizza Hut dine-in restaurants in the UK in the fourth quarter of 2012, lower incentive compensation costs and a pension curtailment gain in the first quarter of 2013 related to one of our UK pension plans, partially offset by strategic investments in international G&A.

Operating Profit

In 2014, the decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by higher G&A, same-store sales declines and higher restaurant operating costs, partially offset by net new unit growth.

In 2013, the increase in Operating Profit, excluding the impact of foreign currency translation, was driven by refranchising our remaining company-owned Pizza Hut dine-in restaurants in the UK in the fourth quarter of 2012, including lapping restaurant impairment charges, net new unit growth and lower G&A, partially offset by higher franchise and license expenses, the acquisition of restaurants in Turkey from an existing franchisee in April 2013 and higher restaurant operating costs.

Taco Bell Division

The Taco Bell Division has 6,199 units, the vast majority of which are in the U.S. The Company owns 16% of the Taco Bell units in the U.S., where the brand has historically achieved high restaurant margins and returns. Our ongoing earnings growth model includes 100 - 200 net new units per year and low single-digit same-store sales growth. This combined with restaurant margin improvement and leverage of our G&A structure is expected to drive annual Operating Profit growth of 6%.

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

	2014	2013	2012	% B/(W)		% B/(W)	
				2014		2013	
				Reported	Ex FX	Reported	Ex FX
Company sales	\$ 1,452	\$ 1,474	\$ 1,747	(2)	(2)	(16)	(16)
Franchise and license fees and income	411	395	362	4	4	9	9
Total revenues	\$ 1,863	\$ 1,869	\$ 2,109	—	—	(11)	(11)
Restaurant profit	\$ 274	\$ 287	\$ 319	(5)	(5)	(10)	(10)
Restaurant margin %	18.9%	19.5%	18.2%	(0.6) ppts.	(0.6) ppts.	1.3 ppts.	1.3 ppts.
G&A expenses	\$ 185	\$ 206	\$ 223	10	10	7	7
Operating Profit	\$ 480	\$ 456	\$ 435	5	5	5	5

	2014	2013
System Sales Growth, reported	4%	4%
System Sales Growth, excluding FX	4%	4%
Same-Store Sales Growth %	3%	3%

Unit Count	2014	2013	2012	% Increase (Decrease)	
				2014	2013
Franchise & License	5,273	5,157	4,933	2	5
Company-owned	926	891	1,044	4	(15)
	6,199	6,048	5,977	2	1

	2013	New Builds	Closures	Refranchised	Acquired	Other	2014
Franchise & License	5,157	209	(90)	3	(12)	6	5,273
Company-owned	891	27	(1)	(3)	12	—	926
Total	6,048	236	(91)	—	—	6	6,199

	2012	New Builds	Closures	Refranchised	Acquired	Other	2013
Franchise & License	4,933	152	(98)	178	—	(8)	5,157
Company-owned	1,044	27	(2)	(178)	—	—	891
Total	5,977	179	(100)	—	—	(8)	6,048

Company Sales and Restaurant Profit

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

Income / (Expense)	2014 vs. 2013				
	2013	Store Portfolio Actions	Other	FX	2014
Company sales	\$ 1,474	\$ (47)	\$ 25	\$ —	\$ 1,452
Cost of sales	(424)	14	(21)	—	(431)
Cost of labor	(419)	14	(9)	—	(414)
Occupancy and other	(344)	12	(1)	—	(333)
Restaurant profit	\$ 287	\$ (7)	\$ (6)	\$ —	\$ 274
	19.5%				18.9%

Income / (Expense)	2013 vs. 2012				2013
	2012	Store Portfolio Actions	Other	FX	
Company sales	\$ 1,747	\$ (283)	\$ 10	\$ —	\$ 1,474
Cost of sales	(502)	83	(5)	—	(424)
Cost of labor	(504)	88	(3)	—	(419)
Occupancy and other	(422)	78	—	—	(344)
Restaurant profit	\$ 319	\$ (34)	\$ 2	\$ —	\$ 287
	18.2%				19.5%

In 2014, the decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising, partially offset by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were commodity inflation and higher food and labor costs due to the launch of breakfast in the U.S., partially offset by company same-store sales growth of 2%.

In 2013, the decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising, partially offset by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were the favorable impact of pricing, partially offset by transaction declines, promotional activities and commodity inflation. 2013 company same-store sales were even.

Franchise and License Fees and Income

In 2014, the increase in Franchise and license fees and income was driven by same-store sales growth, refranchising and net new unit growth, partially offset by franchise incentives provided in the first quarter of 2014 related to the launch of breakfast in the U.S.

In 2013, the increase in Franchise and license fees and income was driven by refranchising and same-store sales growth.

G&A Expenses

In 2014, the decrease in G&A expenses was driven by lower pension costs and lower incentive compensation costs.

In 2013 the decrease in G&A expenses was driven by lower incentive compensation costs, lapping higher litigation costs recorded in 2012 and refranchising.

Operating Profit

In 2014, the increase in Operating Profit was driven by same-store sales growth, lower G&A and net new unit growth, partially offset by higher restaurant operating costs.

In 2013, the increase in Operating Profit was driven by same-store sales growth, lower G&A and net new unit growth, partially offset by refranchising.

India Division

The India Division has 833 units, predominately KFC and Pizza Hut restaurants. While we believe India is a significant long-term growth driver, our ongoing earnings model currently assumes no impact from India growth.

	2014	2013	2012	% B/(W)		% B/(W)	
				2014		2013	
				Reported	Ex FX	Reported	Ex FX
Total revenues ^(a)	\$ 141	\$ 127	\$ 102	11	16	24	36
Operating Profit (loss)	\$ (9)	\$ (15)	\$ (1)	39	35	NM	NM

	2014	2013
System Sales Growth, reported ^{(a)(b)}	(1)%	11%
System Sales Growth, excluding FX ^{(a)(b)}	3%	20%
Same-Store Sales Growth (Decline) ^(b)	(5)%	—%

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Unit Count	2014	2013	2012	% Increase (Decrease)	
				2014	2013
Franchise & License	623	514	442	21	16
Company-owned	210	191	120	10	59
	833	705	562	18	25

	2013	New Builds	Closures	Refranchised	Acquired	2014
Franchise & License	514	110	(21)	20	—	623
Company-owned	191	46	(7)	(20)	—	210
Total	705	156	(28)	—	—	833

	2012	New Builds	Closures	Refranchised	Acquired	2013
Franchise & License	442	89	(11)	—	(6)	514
Company-owned	120	68	(3)	—	6	191
Total	562	157	(14)	—	—	705

(a) Effective the beginning of 2014, results from our 28 Mauritius stores are included in KFC and Pizza Hut Divisions as applicable. Prior year units have been adjusted for comparability while division System Sales Growth, Total Revenues and Operating Profit (loss) have not been restated due to the immaterial dollar impact of this change. While there was no impact to our consolidated results, this change negatively impacted India's 2014 System Sales Growth, reported and excluding FX, by 10% and 11%, respectively. This change negatively impacted India's 2014 Total revenues by 2% and Operating Profit (loss) by \$1 million.

(b) 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.

Corporate & Unallocated

Income / (Expense)	2014	2013	2012	% B/(W)	
				2014	2013
Corporate G&A	\$ (189)	\$ (207)	\$ (271)	9	24
Unallocated closures and impairments	(463)	(295)	\$ —	(57)	NM
Unallocated Refranchising gain (loss)	33	100	78	(67)	29
Other unallocated	(22)	(6)	92	(78)	NM
Interest expense, net	(130)	(247)	(149)	47	(66)
Income tax provision	(406)	(487)	(537)	17	9
Effective tax rate	28.5%	31.4%	25.0%	2.9 ppts.	(6.4) ppts.

Corporate G&A

In 2014, the decrease in Corporate G&A was driven by lower pension costs, including lapsing higher pension settlement charges, partially offset by higher legal and professional fees.

In 2013, the decrease in Corporate G&A was driven by lower pension costs, including lapsing higher pension settlement charges, and lower incentive compensation costs, partially offset by higher legal and professional fees.

Unallocated Closures and Impairments

In 2014 and 2013, Unallocated closures and impairments represent Little Sheep impairment charges. See Note 4.

Unallocated Refranchising Gain (Loss)

Unallocated Refranchising gain (loss) in 2014, 2013 and 2012 is discussed in Note 4.

Other Unallocated

In 2014, Other unallocated includes higher foreign exchange losses.

In 2012, Other unallocated includes a non-cash gain of \$74 million related to our acquisition of Little Sheep in 2012.

Interest Expense, Net

The decrease in interest expense, net for 2014 was driven by lapping \$118 million of premiums paid and other costs related to the extinguishment of debt in 2013. The increase in 2013 versus 2012 due to this extinguishment was partially offset by lower average borrowings outstanding and lower interest rates versus 2012. See Note 4.

Income Tax Provision

In 2014, 2013 and 2012, the reported effective income tax rates were 28.5%, 31.4% and 25.0%, respectively. See Note 16 for further discussion of our income tax provision.

Consolidated Cash Flows

Net cash provided by operating activities was \$2,049 million in 2014 versus \$2,139 million in 2013. The decrease was primarily driven by higher income taxes paid.

In 2013, net cash provided by operating activities was \$2,139 million compared to \$2,294 million in 2012. The decrease was primarily due to lower Operating Profit before Special Items and higher income taxes paid, partially offset by approximately \$100 million in lower pension contributions.

Net cash used in investing activities was \$936 million in 2014 compared to \$886 million in 2013. The increase was primarily driven by lower refranchising proceeds, partially offset by lapping the acquisition of restaurants in Turkey from an existing franchisee in April 2013.

In 2013, net cash used in investing activities was \$886 million 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 Note 4.

Net cash used in financing activities was \$1,114 million in 2014 compared to \$1,451 million in 2013. The decrease was primarily driven by higher borrowings on our revolving credit facility.

In 2013, net cash used in financing activities was \$1,451 million 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.

Consolidated Financial Condition

The change in our Goodwill and Intangible assets, net is primarily the result of the impairment of Little Sheep's goodwill and trademark. See Note 4.

The changes in our Short-term borrowings and Long-term debt are primarily due to the classification of \$250 million in Senior Unsecured Notes as short-term due to their September 2015 maturity date.

Long-term debt is also impacted by outstanding borrowings of \$416 million under our revolving credit facility as of December 27, 2014. See Note 10.

The decrease in Accumulated other comprehensive income (loss) is primarily the result of currency translation adjustment losses and net actuarial losses in our U.S. pension plans. See Note 15.

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 thirteen fiscal years, including over \$2 billion in each fiscal year since 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 from operating activities 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.

We generate a significant amount of cash from operating activities outside the U.S. that we have used historically to fund our international development. To the extent we have needed to repatriate international cash to fund our U.S. discretionary cash spending, including share repurchases, dividends and debt repayments, we

have historically been able to do so in a tax-efficient manner. If we experience an unforeseen decrease in our cash flows from our U.S. businesses 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 27, 2014, 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 2014, we invested \$1,033 million in capital spending, including \$525 million in China, \$273 million in KFC, \$62 million in Pizza Hut, \$143 million in Taco Bell and \$21 million in India. For 2015, we estimate capital spending will be approximately \$1.1 billion.

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

During the year ended December 27, 2014 we repurchased shares for \$820 million. On November 22, 2013, our Board of Directors authorized share repurchases through May 2015 of up to \$750 million (excluding applicable transaction fees) of our outstanding Common Stock. On November 20, 2014, our Board of Directors authorized additional share repurchases through May 31, 2016 of up to \$1 billion (excluding applicable transaction fees) of our outstanding Common Stock. At December 27, 2014, we had remaining capacity to repurchase up to \$1.1 billion 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 27, 2014, we paid cash dividends of \$669 million. Additionally, on November 20, 2014 our Board of Directors approved cash dividends of \$0.41 per share of Common Stock that were distributed on February 6, 2015 to shareholders of record at the close of business on January 16, 2015. The Company targets an ongoing annual dividend payout ratio of 40% to 45% 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 27, 2014, our unused Credit Facility totaled \$824 million net of outstanding letters of credit of \$60 million and outstanding borrowings of \$416 million. The interest

rate for 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 and 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 27, 2014 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 2015 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under Senior Unsecured Notes were \$2.8 billion at December 27, 2014. 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 unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

Contractual Obligations

Our significant contractual obligations and payments as of December 27, 2014 included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations ^(a)	\$ 4,561	\$ 395	\$ 953	\$ 754	\$ 2,459
Capital leases ^(b)	282	20	41	40	181
Operating leases ^(b)	5,479	709	1,270	1,056	2,444
Purchase obligations ^(c)	781	587	103	69	22
Benefit plans ^(d)	179	38	38	34	69
Total contractual obligations	\$ 11,282	\$ 1,749	\$ 2,405	\$ 1,953	\$ 5,175

(a) Debt amounts include principal maturities and expected interest payments on a nominal basis. Debt amounts exclude a fair value adjustment of \$7 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 primarily to approximately 7,775 company-owned 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 supply agreements, marketing, information technology, 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 \$129 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 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 (see footnote (d) above). 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 27, 2014 the Plan was in a net underfunded position of \$191 million. The UK pension plans were in a net overfunded position of \$57 million at our 2014 measurement date.

Subsequent to December 27, 2014, we contributed \$75 million to the Plan. We do not anticipate making any additional significant contributions to the Plan in 2015. Investment performance and corporate bond rates have a significant effect on our net funding position as they drive our asset balances and discount rate assumptions. Future changes in investment performance and corporate bond rates could impact our funded status and the timing and amounts of required contributions in 2015 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 \$6 million in 2014 and no future funding amounts are included in the contractual obligations table. See Note 13.

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.

We have not included in the contractual obligations table approximately \$25 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.

Off-Balance Sheet Arrangements

See the Franchise Loan Pool and Equipment Guarantees and Unconsolidated Affiliates Guarantees sections of Note 18 for discussion of our off-balance sheet arrangements.

New Accounting Pronouncements Not Yet Adopted

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08), which limits dispositions that qualify for discontinued operations presentation to those that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. Strategic shifts could include a disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of the business. ASU 2014-08 is effective prospectively for the Company in our first quarter of fiscal 2015. We do not believe the adoption of this standard will have a significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. ASU 2014-09 is effective for the Company in our first quarter of fiscal 2017 with no early adoption permitted. The standard allows for either a full retrospective or modified retrospective transition method. The Standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees or licensees, which are based on a percentage of franchise and license sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees and franchising of company-owned restaurants.

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 rebrand 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

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

improvement as well as expectations as to the useful lives of the restaurant assets. These after-tax cash flows also include 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. 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 with a book value of \$60 million at December 27, 2014. We recorded impairment charges in 2014 of \$284 million to write the trademark down to its estimated fair value. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details. No additional indefinite-lived intangible asset impairment was recorded in 2014.

The fair value estimate 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. The 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.

Little Sheep sales volumes and profit levels were significantly below forecasted amounts in 2014. As this continued a trend of under performance for the business, a significant number of Company-operated restaurants were closed or refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept. As such, the inputs used in determining the fair value for the Little Sheep trademark reflect a reduction in Company ownership to a level of 50 restaurants (from 92 restaurants at December 27, 2014). Given so few Company-operated restaurants, the primary drivers of fair value in 2014 include franchise revenue growth and revenues from a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflects annual same-store sales growth of 4% and approximately 35 new franchise units per year, partially offset by the impact of approximately 25 franchise closures per year. The seasoning business is forecasted to generate sales growth rates consistent with historical results.

Impairment of Goodwill

We evaluate goodwill for impairment on an annual basis as of the beginning of our fourth quarter 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 business units (which are aligned based on geography) in our KFC, Pizza Hut and Taco Bell Divisions and individual brands in our China and India Divisions. 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.

Other than the Little Sheep reporting unit discussed below, the fair values of our other reporting units were substantially in excess of their respective carrying values as of the 2014 goodwill testing date.

As a result of our annual impairment testing we completely impaired what was our most significant goodwill balance of \$160 million related to our Little Sheep reporting unit in 2014. See the Little Sheep Acquisition and Subsequent Impairment section of Note 4 for details. 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 primarily impacted by new unit development, sales growth and ownership strategy. 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.

Little Sheep sales volumes and profit levels were significantly below forecasted amounts in 2014. As this continued a trend of under performance for the business, a significant number of Company-operated restaurants were closed or refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept. As such, the inputs used in determining the fair value for the Little Sheep reporting unit reflect a reduction in Company ownership to a level of 50 restaurants (from 92 restaurants at December 27, 2014). Given so few Company-operated restaurants, the primary drivers of fair value in 2014 include franchise revenue growth and cash flows associated with a wholly-owned business that sells seasoning to retail customers. Franchise revenue growth reflects annual same-store sales growth of 4% and approximately 35 new franchise units per year, partially offset by the impact of approximately 25 franchise closures per year. The seasoning business is forecasted to generate sales growth rates and margins consistent with historical results.

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 2014, the Company's most significant refranchising activity was within our China operating segment, where 79 restaurants were refranchised (representing approximately 2% of beginning-of-year company units) and less than \$1 million in goodwill was written off (representing approximately 1% of beginning-of-year goodwill).

See Note 2 for a further discussion of our policies regarding goodwill.

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 18 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 \$1,301 million and a fair value of plan assets of \$991 million at December 27, 2014.

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 4.30% at December 27, 2014. 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 payment 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 these U.S. plans' PBOs by approximately \$100 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 \$110 million at our measurement date.

The pension expense we will record in 2015 is also impacted by the discount rate, as well as the long-term rates of return on plan assets and mortality assumptions we selected at our measurement date. We expect pension expense for our U.S. plans to increase approximately \$25 million in 2015. The increase is primarily driven by an increase in amortization of net loss due to higher net unrecognized losses in Accumulated other comprehensive income. Higher net unrecognized losses in Accumulated other comprehensive income are primarily a result of a lower discount rate at our 2014 measurement date. A 50 basis-point change in our discount rate assumption at our measurement date would impact our 2015 U.S. pension expense by approximately \$13 million.

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 2015 pension expense, at December 27, 2014 was 6.75%. We believe this rate is appropriate given the composition of our plan assets and historical market returns thereon. A 100 basis point change in our expected long-term rate of return on plan assets assumption would impact our 2015 U.S. pension expense by approximately \$9 million. Additionally, every 100 basis point variation in actual return on plan assets versus our expected return of 6.75% will impact our unrecognized pre-tax actuarial net loss by approximately \$9 million.

Assumptions as to mortality of the participants in our U.S. defined benefit pension plans are key estimates in measuring the expected payments which participants may receive over their lifetimes and therefore the amount of expense we will recognize. In determining the most appropriate mortality assumptions for our U.S. defined benefit pension plans at December 27, 2014, we considered the updated mortality tables recently issued by the Society of Actuaries, coupled with other mortality information available from the Social Security Administration and our consulting actuaries to develop updated mortality assumptions for our participant populations. The use of these updated mortality assumptions increased the benefit obligation for these U.S. defined benefit pension plans by approximately \$46 million at December 27, 2014.

A decrease in discount rates has largely contributed to an unrecognized pre-tax actuarial net loss of \$314 million included in Accumulated other comprehensive income (loss) for these U.S. plans at December 27, 2014. We will recognize approximately \$45 million of such loss in net periodic benefit cost in 2015 versus \$17 million recognized in 2014. See Note 13.

Income Taxes

At December 27, 2014, we had valuation allowances of approximately \$230 million to reduce our \$1.2 billion of deferred tax assets to amounts that are more likely than not to be realized. The net deferred

PART II

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

tax assets primarily relate to temporary differences in profitable U.S. federal, 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 27, 2014 we had \$115 million of unrecognized tax benefits, \$17 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 \$2.0 billion at December 27, 2014, 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 16 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 have attempted 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 were 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 December 27, 2014 and December 28, 2013 a hypothetical 100 basis-point increase in short-term interest rates would result, over the following twelve-month period, in a reduction of approximately \$5 million and \$3 million, respectively, 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 27, 2014 and December 28, 2013 would decrease approximately \$4 million and \$7 million, respectively, as a result of the same hypothetical 100 basis-point increase and the fair value of our Senior Unsecured Notes at December 27, 2014 and December 28, 2013 would decrease approximately \$182 million and \$185 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 denominated 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 Company's foreign currency net asset exposure (defined as foreign currency assets less foreign currency liabilities) totaled approximately \$4.4 billion as of December 27, 2014. 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 27, 2014 Operating Profit would have decreased approximately \$150 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

	Page Reference
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	37
Consolidated Statements of Income for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012	38
Consolidated Statements of Comprehensive Income for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012	39
Consolidated Statements of Cash Flows for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012	40
Consolidated Balance Sheets as of December 27, 2014 and December 28, 2013	41
Consolidated Statements of Shareholders' Equity for the fiscal years ended December 27, 2014, December 28, 2013 and December 29, 2012	42
Notes to Consolidated Financial Statements	43

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 27, 2014 and December 28, 2013, 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 27, 2014. We also have audited YUM's internal control over financial reporting as of December 27, 2014, based on criteria established in Internal Control – Integrated Framework (2013) 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 27, 2014 and December 28, 2013, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 27, 2014, 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 27, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
Louisville, Kentucky
February 17, 2015

Consolidated Statements of Income

YUM! BRANDS, Inc. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 27, 2014, DECEMBER 28, 2013 AND DECEMBER 29, 2012

<i>(in millions, except per share data)</i>	2014	2013	2012
Revenues			
Company sales	\$ 11,324	\$ 11,184	\$ 11,833
Franchise and license fees and income	1,955	1,900	1,800
Total revenues	13,279	13,084	13,633
Costs and Expenses, Net			
Company restaurants			
Food and paper	3,678	3,669	3,874
Payroll and employee benefits	2,579	2,499	2,620
Occupancy and other operating expenses	3,425	3,333	3,358
Company restaurant expenses	9,682	9,501	9,852
General and administrative expenses	1,419	1,412	1,510
Franchise and license expenses	160	158	133
Closures and impairment (income) expenses	535	331	37
Refranchising (gain) loss	(33)	(100)	(78)
Other (income) expense	(41)	(16)	(115)
Total costs and expenses, net	11,722	11,286	11,339
Operating Profit	1,557	1,798	2,294
Interest expense, net	130	247	149
Income Before Income Taxes	1,427	1,551	2,145
Income tax provision	406	487	537
Net Income – including noncontrolling interests	1,021	1,064	1,608
Net Income (loss) – noncontrolling interests	(30)	(27)	11
Net Income – YUM! Brands, Inc.	\$ 1,051	\$ 1,091	\$ 1,597
Basic Earnings Per Common Share	\$ 2.37	\$ 2.41	\$ 3.46
Diluted Earnings Per Common Share	\$ 2.32	\$ 2.36	\$ 3.38
Dividends Declared Per Common Share	\$ 1.56	\$ 1.41	\$ 1.24

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 27, 2014, DECEMBER 28, 2013 AND DECEMBER 29, 2012

<i>(in millions)</i>	2014	2013	2012
Net income – including noncontrolling interests	\$ 1,021	\$ 1,064	\$ 1,608
Other comprehensive income (loss), net of tax:			
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature			
Adjustments and gains (losses) arising during the year	(149)	10	27
Reclassifications of adjustments and (gains) losses into Net Income	2	—	3
	(147)	10	30
Tax (expense) benefit	4	(2)	(3)
	(143)	8	27
Changes in pension and post-retirement benefits			
Unrealized gains (losses) arising during the year	(209)	221	(19)
Reclassification of (gains) losses into Net Income	27	83	156
	(182)	304	137
Tax (expense) benefit	69	(115)	(48)
	(113)	189	89
Changes in derivative instruments			
Unrealized gains (losses) arising during the year	23	6	(6)
Reclassification of (gains) losses into Net Income	(23)	(2)	6
	—	4	—
Tax (expense) benefit	—	(1)	—
	—	3	—
Other comprehensive income (loss), net of tax	(256)	200	116
Comprehensive Income – including noncontrolling interests	765	1,264	1,724
Comprehensive Income (loss) – noncontrolling interests	(32)	(23)	12
Comprehensive Income – Yum! Brands, Inc.	\$ 797	\$ 1,287	\$ 1,712

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 27, 2014, DECEMBER 28, 2013 AND DECEMBER 29, 2012

<i>(in millions)</i>	2014	2013	2012
Cash Flows – Operating Activities			
Net Income – including noncontrolling interests	\$ 1,021	\$ 1,064	\$ 1,608
Depreciation and amortization	739	721	665
Closures and impairment (income) expenses	535	331	37
Refranchising (gain) loss	(33)	(100)	(78)
Losses and other costs related to the extinguishment of debt	—	120	—
Gain upon acquisition of Little Sheep	—	—	(74)
Deferred income taxes	(172)	(24)	28
Equity income from investments in unconsolidated affiliates	(30)	(26)	(47)
Distributions of income received from unconsolidated affiliates	28	43	41
Excess tax benefit from share-based compensation	(42)	(44)	(98)
Share-based compensation expense	55	49	50
Changes in accounts and notes receivable	(21)	(12)	(18)
Changes in inventories	(22)	18	9
Changes in prepaid expenses and other current assets	(10)	(21)	(14)
Changes in accounts payable and other current liabilities	60	(102)	9
Changes in income taxes payable	(143)	14	126
Other, net	84	108	50
Net Cash Provided by Operating Activities	2,049	2,139	2,294
Cash Flows – Investing Activities			
Capital spending	(1,033)	(1,049)	(1,099)
Proceeds from refranchising of restaurants	114	260	364
Acquisitions	(28)	(99)	(543)
Changes in restricted cash	—	—	300
Other, net	11	2	(27)
Net Cash Used in Investing Activities	(936)	(886)	(1,005)
Cash Flows – Financing Activities			
Proceeds from long-term debt	—	599	—
Repayments of long-term debt	(66)	(666)	(282)
Revolving credit facilities, three months or less, net	416	—	—
Short-term borrowings, by original maturity			
More than three months – proceeds	2	56	—
More than three months – payments	(2)	(56)	—
Three months or less, net	—	—	—
Repurchase shares of Common Stock	(820)	(770)	(965)
Excess tax benefit from share-based compensation	42	44	98
Employee stock option proceeds	29	37	62
Dividends paid on Common Stock	(669)	(615)	(544)
Other, net	(46)	(80)	(85)
Net Cash Used in Financing Activities	(1,114)	(1,451)	(1,716)
Effect of Exchange Rates on Cash and Cash Equivalents	6	(5)	5
Net Increase (Decrease) in Cash and Cash Equivalents	5	(203)	(422)
Cash and Cash equivalents – Beginning of Year	573	776	1,198
Cash and Cash Equivalents – End of Year	\$ 578	\$ 573	\$ 776

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

YUM! BRANDS, INC. AND SUBSIDIARIES

DECEMBER 27, 2014 AND DECEMBER 28, 2013

<i>(in millions)</i>	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 578	\$ 573
Accounts and notes receivable, net	325	319
Inventories	301	294
Prepaid expenses and other current assets	254	286
Deferred income taxes	93	123
Advertising cooperative assets, restricted	95	96
Total Current Assets	1,646	1,691
Property, plant and equipment, net	4,498	4,459
Goodwill	700	889
Intangible assets, net	318	638
Investments in unconsolidated affiliates	52	53
Other assets	560	566
Deferred income taxes	571	399
Total Assets	\$ 8,345	\$ 8,695
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,972	\$ 1,929
Income taxes payable	77	169
Short-term borrowings	267	71
Advertising cooperative liabilities	95	96
Total Current Liabilities	2,411	2,265
Long-term debt	3,077	2,918
Other liabilities and deferred credits	1,244	1,244
Total Liabilities	6,732	6,427
Redeemable noncontrolling interest	9	39
Shareholders' Equity		
Common Stock, no par value, 750 shares authorized; 434 shares and 443 shares issued in 2014 and 2013, respectively	—	—
Retained earnings	1,737	2,102
Accumulated other comprehensive income (loss)	(190)	64
Total Shareholders' Equity – YUM! Brands, Inc.	1,547	2,166
Noncontrolling interests	57	63
Total Shareholders' Equity	1,604	2,229
Total Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity	\$ 8,345	\$ 8,695

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

YUM! BRANDS, INC. AND SUBSIDIARIES

FISCAL YEARS ENDED DECEMBER 27, 2014, DECEMBER 28, 2013 AND DECEMBER 29, 2012

(in millions)	Yum! Brands, Inc.							
	Issued Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders' Equity	Redeemable Noncontrolling Interest	
	Shares	Amount						
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	
Net Income (loss)			1,051		(1)	1,050		(29)
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of \$4 million)				(143)	(1)	(144)		(1)
Reclassification of translation adjustments into income				2		2		
Pension and post-retirement benefit plans (net of tax impact of \$69 million)				(113)		(113)		
Comprehensive Income (loss)						795		(30)
Dividends declared			(691)		(4)	(695)		
Repurchase of shares of Common Stock	(11)	(95)	(725)			(820)		
Employee stock option and SARs exercises (includes tax impact of \$37 million)	2	33				33		
Compensation-related events (includes tax impact of \$5 million)		62				62		
Balance at December 27, 2014	434	\$ —	\$ 1,737	\$ (190)	\$ 57	\$ 1,604	\$ 9	

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 KFC, Pizza Hut and Taco Bell (collectively the “Concepts”). YUM has over 41,000 units of which 56% 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 December 27, 2014, YUM consisted of five operating segments:

- YUM China (“China” or “China Division”) which includes all operations in mainland China
- YUM India (“India” or “India Division”) which includes all operations in India, Bangladesh, Nepal and Sri Lanka
- The KFC Division which includes all operations of the KFC concept outside of China Division and India Division
- The Pizza Hut Division which includes all operations of the Pizza Hut concept outside of China Division and India Division
- The Taco Bell Division which includes all operations of the Taco Bell concept outside of India Division

Prior to 2014, our reporting segments consisted of YUM Restaurants International (“YRI”), the United States, China and India. In the first quarter of 2014 we changed our management reporting structure to align our global operations outside of China and India by brand. As a result, our YRI and United States reporting segments were combined, and we began reporting this information by three new reporting segments: KFC Division, Pizza Hut Division and Taco Bell Division. China and India remain separate reporting segments. 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 have not been impacted, we have restated our comparable segment information 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 2014, YUM has future lease payments due from franchisees, on a nominal basis, of approximately \$350 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 18 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

PART II
ITEM 8 Financial Statements and Supplementary Data

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 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. Advertising cooperative 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. 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. International businesses within our KFC, Pizza Hut and Taco Bell divisions close approximately one month earlier to facilitate consolidated reporting. Our next fiscal year scheduled to include a 53rd week is 2016.

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 27, 2014, net cumulative translation adjustment gains of \$29 million are recorded in Accumulated other comprehensive income (loss) in the Consolidated Balance Sheet.

The majority of our foreign currency exposure is in countries where we have company-owned restaurants. As we manage and share resources at the individual brand level within a country, cumulative translation adjustments are recorded and tracked at the foreign-entity level that represents 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 of the related investment in a foreign entity, or upon a sale of assets and liabilities within a foreign entity that represents a complete or substantially complete liquidation of that 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.

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 27, 2014. 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 as those sales occur and rental income is recognized as it is 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 company-owned 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. To the extent we participate in advertising cooperatives, we expense our contributions as incurred which are based on a percentage of sales. We charge direct marketing costs incurred outside of a cooperative 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. Our advertising expenses were \$589 million, \$607 million and \$608 million in 2014, 2013 and 2012, 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 \$30 million, \$31 million and \$30 million in 2014, 2013 and 2012, 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 14 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 18 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 it is more likely than not 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 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.

Refranchising (gain) loss includes the gains or losses from the sales of our restaurants to new and existing franchisees, including any 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

PART II
ITEM 8 Financial Statements and Supplementary Data

purchase price in at-risk equity and we are satisfied that the franchisee can meet its financial obligations.

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. In 2014, we recorded a \$5 million impairment of our investment in a meat processing entity affiliated with our Little Sheep business. See Note 4 for further discussion of the impairment charge. No other impairment associated with our investments in unconsolidated affiliates was recorded during 2014, 2013 or 2012.

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 or carryforwards 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 ensure 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 16 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 Sheet. 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 \$3 million in net provisions, \$2 million in net provisions and \$1 million in net recoveries within Franchise and license expenses in 2014, 2013 and 2012, 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.

	2014	2013
Accounts and notes receivable	\$ 337	\$ 330
Allowance for doubtful accounts	(12)	(11)
Accounts and notes receivable, net	\$ 325	\$ 319

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 \$21 million (net of an allowance of \$1 million) and \$22 million (net of an allowance of \$1 million) at December 27, 2014 and December 28, 2013, 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. 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 certain 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 business units (which are aligned based on geography) in our KFC, Pizza Hut and Taco Bell Divisions and individual brands in our India and China Divisions.

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.

PART II
ITEM 8 Financial Statements and Supplementary Data

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 an 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.

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 27, 2014 and December 28, 2013, all of the counterparties to our interest rate swaps and foreign currency forwards had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

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, \$725 million, \$640 million and \$794 million in share repurchases were recorded as a reduction in Retained Earnings in 2014, 2013 and 2012, respectively. See Note 15 for additional information on our share repurchases.

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")

	2014	2013	2012
Net Income – YUM! Brands, Inc.	\$ 1,051	\$ 1,091	\$ 1,597
Weighted-average common shares outstanding (for basic calculation)	444	452	461
Effect of dilutive share-based employee compensation	9	9	12
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	453	461	473
Basic EPS	\$ 2.37	\$ 2.41	\$ 3.46
Diluted EPS	\$ 2.32	\$ 2.36	\$ 3.38
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation ^(a)	5.5	4.9	3.1

(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 re-measured 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, with no related tax benefit within Other (income) expense.

The primary assets recorded as a result of the acquisition were the Little Sheep trademark and goodwill of approximately \$400 million and \$375 million, respectively.

The purchase price paid for the additional 66% interest and the resulting purchase price allocation in 2012 assumed same-store sales growth and new unit development for the brand. However, Little Sheep's sales were negatively impacted by a longer than expected

purchase approval and ownership transition phase, and 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 resulted in a determination that the Little Sheep trademark, goodwill and certain restaurant level PP&E were impaired during the quarter ended September 7, 2013. As a result, we recorded impairment charges to the trademark, goodwill and PP&E of \$69 million, \$222 million and \$4 million, respectively, during the quarter ended September 7, 2013.

The inputs used in determining the 2013 fair values of the Little Sheep trademark and reporting unit assumed that the business would recover to pre-acquisition average-unit sales volumes and profit levels over the then next three years, supporting significant future new unit development by the Company. Long-term average growth assumptions subsequent to this assumed recovery included same-store-sales growth of 4% and average annual net unit growth of approximately 75 units, primarily operated by the Company.

The Little Sheep business continued to underperform during 2014 with actual average-unit sales volumes and profit levels significantly below those assumed in our 2013 estimation of the Little Sheep trademark and reporting unit fair values. As a result, a significant number of Company-operated restaurants were closed or

PART II
ITEM 8 Financial Statements and Supplementary Data

refranchised during 2014 with future plans calling for further focus on franchise-ownership for the Concept.

We tested the Little Sheep trademark and goodwill for impairment in the fourth quarter of 2014 pursuant to our accounting policy. The inputs used in determining the 2014 fair values of the Little Sheep trademark and reporting unit no longer include a three-year recovery of sales and profits to pre-acquisition levels and reflect further reductions in Company ownership to a level of 50 restaurants (from 92 restaurants at December 27, 2014). As a result of comparing the trademark's 2014 fair value estimate of \$58 million to its carrying value of \$342 million, we recorded a \$284 million impairment charge. Additionally, after determining the 2014 fair value estimate of the Little Sheep reporting unit was less than its carrying value we wrote off Little Sheep's remaining goodwill balance of \$160 million. The Company also evaluated other Little Sheep long-lived assets for impairment and recorded \$14 million of restaurant-level PP&E impairment and a \$5 million impairment of our equity method investment in a meat processing business that supplies lamb to Little Sheep. The remaining

net assets of the Little Sheep business of approximately \$100 million as of December 27, 2014 include primarily the remaining \$58 million trademark and PP&E of approximately \$30 million related to a wholly-owned business that sells seasoning to retail customers.

The primary drivers of remaining fair value in our Little Sheep business include franchise revenue growth and cash flows associated with the aforementioned seasoning business. Franchise revenue growth reflects annual same-store sales growth of 4% and approximately 35 new franchise units per year, partially offset by approximately 25 franchise closures per year. The seasoning business is forecasted to generate sales growth rates and margins consistent with historical results.

The losses related to Little Sheep that have occurred concurrent with our trademark and goodwill impairments in 2014 and 2013 and our gain on acquisition in 2012, none of which have been allocated to any segment for performance reporting purposes, are summarized below:

	2014	2013	2012	Income Statement Classification
Gain on Acquisition	\$ —	\$ —	\$ (74)	Other (income) expense
Impairment of Goodwill	160	222	—	Closures and Impairment (income) expense
Impairment of Trademark	284	69	—	Closures and Impairment (income) expense
Impairment of PP&E	14	4	—	Closures and Impairment (income) expense
Impairment of Investment in Little Sheep Meat	5	—	—	Closures and Impairment (income) expense
Tax Benefit	(76)	(18)	—	Income tax provision
Loss Attributable to Non-Controlling Interest	(26)	(19)	—	Net Income (loss) noncontrolling interests
Net (gain) loss	\$ 361	\$ 258	\$ (74)	Net Income – YUM! Brands, Inc.

Both the 2014 and 2013 Little Sheep trademark and reporting unit fair values were based on the estimated prices a willing buyer would pay. The fair values of the trademark were determined using a relief from royalty valuation approach that included future estimated sales as a significant input. The reporting unit fair values were determined using an income approach with future cash flow estimates generated by the business as a significant input. All 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.

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.

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 13 for further discussion of our pension plans.

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		
	2014	2013	2012
China	\$ (17)	\$ (5)	\$ (17)
KFC Division	(18)	(8)	(3)
Pizza Hut Division ^(a)	4	(3)	53
Taco Bell Division	(4)	(84)	(111)
India	2	—	—
Worldwide	\$ (33)	\$ (100)	\$ (78)

(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 allowed 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 anticipated they would 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 Pizza Hut Division'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 at that time 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 39% and increased Franchise and license fees and income and Operating Profit by 3% and 6%, respectively, for the Pizza Hut Division versus 2012.

Store Closure and Impairment Activity

Store closure (income) costs and Store impairment charges by reportable segment are presented below. These tables exclude \$463 million and \$295 million of Little Sheep impairment losses in 2014 and 2013, respectively which were not allocated to any segment for performance reporting purposes.

	2014					
	China	KFC	Pizza Hut	Taco Bell	India	Worldwide
Store closure (income) costs ^(a)	\$ —	\$ 2	\$ 1	\$ —	\$ —	\$ 3
Store impairment charges	54	7	4	3	1	69
Closure and impairment (income) expenses	\$ 54	\$ 9	\$ 5	\$ 3	\$ 1	\$ 72

	2013					
	China	KFC	Pizza Hut	Taco Bell	India	Worldwide
Store closure (income) costs ^(a)	\$ (1)	\$ (1)	\$ (3)	\$ —	\$ —	\$ (5)
Store impairment charges	31	4	3	1	2	41
Closure and impairment (income) expenses	\$ 30	\$ 3	\$ —	\$ 1	\$ 2	\$ 36

	2012					
	China	KFC	Pizza Hut	Taco Bell	India	Worldwide
Store closure (income) costs ^(a)	\$ (4)	\$ 1	\$ 10	\$ 1	\$ —	\$ 8
Store impairment charges	13	11	2	3	—	29
Closure and impairment (income) expenses	\$ 9	\$ 12	\$ 12	\$ 4	\$ —	\$ 37

(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. Remaining lease obligations for closed stores were not material at December 27, 2014 or December 28, 2013.

NOTE 5 Supplemental Cash Flow Data

	2014	2013	2012
Cash Paid For:			
Interest ^(a)	\$ 149	\$ 269	\$ 166
Income taxes ^(b)	684	489	417
Significant Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred	\$ 24	\$ 15	\$ 17
Capital lease obligations relieved, primarily through divestitures and refranchisings	1	2	112
Increase in accrued capital expenditures	15	N/A	35

(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. See Note 4.

(b) 2014 includes \$200 million of cash paid related to the resolution of a valuation issue with the Internal Revenue Service related to years 2004-2008. See the Internal Revenue Service Adjustments section of Note 16.

NOTE 6 Franchise and License Fees and Income

	2014	2013	2012
Initial fees, including renewal fees	\$ 83	\$ 90	\$ 92
Initial franchise fees included in Refranchising (gain) loss	(5)	(13)	(24)
	78	77	68
Continuing fees and rental income	1,877	1,823	1,732
Franchise and license fees and income	\$ 1,955	\$ 1,900	\$ 1,800

NOTE 7 Other (Income) Expense

	2014	2013	2012
Equity (income) loss from investments in unconsolidated affiliates	\$ (30)	\$ (26)	\$ (47)
Gain upon acquisition of Little Sheep ^(a)	—	—	(74)
China poultry supply insurance recovery ^(b)	(25)	—	—
Foreign exchange net (gain) loss and other	14	10	6
Other (income) expense	\$ (41)	\$ (16)	\$ (115)

(a) See Note 4.

(b) Recovery related to lost profits associated with a 2012 poultry supply incident.

NOTE 8 Supplemental Balance Sheet Information

Prepaid Expenses and Other Current Assets	2014	2013
Income tax receivable	\$ 55	\$ 89
Assets held for sale ^(a)	14	16
Other prepaid expenses and current assets	185	181
Prepaid expenses and other current assets	\$ 254	\$ 286

(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	2014	2013
Land	\$ 506	\$ 508
Buildings and improvements	4,549	4,393
Capital leases, primarily buildings	210	199
Machinery and equipment	2,817	2,750
Property, plant and equipment, gross	8,082	7,850
Accumulated depreciation and amortization	(3,584)	(3,391)
Property, plant and equipment, net	\$ 4,498	\$ 4,459

Depreciation and amortization expense related to property, plant and equipment was \$702 million, \$686 million and \$629 million in 2014, 2013 and 2012, respectively.

Accounts Payable and Other Current Liabilities	2014	2013
Accounts payable	\$ 694	\$ 692
Accrued capital expenditures	250	235
Accrued compensation and benefits	419	442
Dividends payable	178	164
Accrued taxes, other than income taxes	100	93
Other current liabilities	331	303
Accounts payable and other current liabilities	\$ 1,972	\$ 1,929

NOTE 9 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	China	KFC	Pizza Hut	Taco Bell	India	Worldwide
Balance as of December 29, 2012						
Goodwill, gross	\$ 466	\$ 281	\$ 194	\$ 110	\$ —	\$ 1,051
Accumulated impairment losses	—	—	(17)	—	—	(17)
Goodwill, net	466	281	177	\$ 110	—	1,034
Acquisitions ^(a)	2	75	11	—	2	90
Impairment Losses ^(c)	(222)	—	—	—	—	(222)
Disposals and other, net ^(b)	10	(18)	(1)	(4)	—	(13)
Balance as of December 28, 2013						
Goodwill, gross	478	338	204	106	2	1,128
Accumulated impairment losses	(222)	—	(17)	—	—	(239)
Goodwill, net	256	338	187	106	2	889
Acquisitions	—	2	—	8	—	10
Impairment Losses ^(c)	(160)	—	—	—	—	(160)
Disposals and other, net ^(b)	(7)	(28)	(4)	—	—	(39)
Balance as of December 27, 2014						
Goodwill, gross	471	312	200	114	2	1,099
Accumulated impairment losses	(382)	—	(17)	—	—	(399)
Goodwill, net	\$ 89	\$ 312	\$ 183	\$ 114	\$ 2	700

(a) We recorded goodwill of \$75 million and \$11 million in our KFC and Pizza Hut Divisions, respectively, related to the acquisition of 65 KFC and 41 Pizza Hut restaurants in Turkey.

(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 impairment charges of \$160 million and \$222 million in 2014 and 2013, respectively, to write down Little Sheep's goodwill. See Note 4.

Intangible assets, net for the years ended 2014 and 2013 are as follows:

	2014		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets				
Reacquired franchise rights	\$ 186	\$ (81)	\$ 188	\$ (66)
Franchise contract rights	126	(92)	130	(90)
Lease tenancy rights	67	(12)	71	(12)
Favorable operating leases	15	(9)	20	(12)
Other	52	(25)	52	(22)
	\$ 446	\$ (219)	\$ 461	\$ (202)
Indefinite-lived intangible assets				
KFC trademark	\$ 31		\$ 31	
Little Sheep trademark ^(a)	60		348	
	\$ 91		\$ 379	

(a) We recorded an impairment charge of \$284 million in 2014 to write down the Little Sheep trademark. See Note 4.

Amortization expense for all definite-lived intangible assets was \$27 million in 2014 and \$28 million in both 2013 and 2012. Amortization expense for definite-lived intangible assets will approximate \$28 million in 2015, \$27 million in 2016, \$25 million in 2017, \$24 million in 2018 and \$23 million in 2019.

NOTE 10 Short-term Borrowings and Long-term Debt

	2014	2013
Short-term Borrowings		
Current maturities of long-term debt	\$ 264	\$ 71
Current portion of fair value hedge accounting adjustment	3	—
	\$ 267	\$ 71
Long-term Debt		
Senior Unsecured Notes	\$ 2,746	\$ 2,803
Unsecured Revolving Credit Facility, expires March 2017	416	—
Capital lease obligations (See Note 11)	175	172
	3,337	2,975
Less current maturities of long-term debt	(264)	(71)
Long-term debt excluding long-term portion of hedge accounting adjustment	3,073	2,904
Long-term portion of fair value hedge accounting adjustment	4	14
Long-term debt including hedge accounting adjustment	\$ 3,077	\$ 2,918

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 27, 2014, our unused Credit Facility totaled \$824 million net of outstanding letters of credit of \$60 million. There were borrowings of \$416 million and \$0 million outstanding under the Credit Facility at December 27, 2014 and December 28, 2013, respectively. 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 27, 2014 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 2015 through 2043 and stated interest rates ranging from 3.75% 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 unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

The following table summarizes all Senior Unsecured Notes issued that remain outstanding at December 27, 2014:

Issuance Date ^(a)	Maturity Date	Principal Amount (in millions)	Interest Rate	
			Stated	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%
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.

The annual maturities of short-term borrowings and long-term debt as of December 27, 2014, excluding capital lease obligations of \$175 million and fair value hedge accounting adjustments of \$7 million, are as follows:

Year ended:

2015	\$ 250
2016	300
2017	416
2018	325
2019	250
Thereafter	1,625
Total	\$ 3,166

Interest expense on short-term borrowings and long-term debt was \$152 million, \$270 million and \$169 million in 2014, 2013 and 2012, 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 27, 2014 we operated nearly 8,700 restaurants, leasing the underlying land and/or building in approximately 7,775 of those restaurants with the vast majority of our commitments expiring within 20 years from the inception of the lease. In addition, the Company leases or subleases approximately 875 units to franchisees, principally in the U.S., UK, China and Mexico.

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
2015	\$ 20	\$ 709	\$ 2	\$ 56
2016	21	661	2	52
2017	20	609	2	47
2018	20	555	2	44
2019	20	501	1	38
Thereafter	181	2,444	4	116
	\$ 282	\$ 5,479	\$ 13	\$ 353

At December 27, 2014 and December 28, 2013, the present value of minimum payments under capital leases was \$175 million and \$172 million, respectively. At December 27, 2014, unearned income associated with direct financing lease receivables was \$3 million.

The details of rental expense and income are set forth below:

	2014	2013	2012
Rental expense			
Minimum	\$ 766	\$ 759	\$ 721
Contingent	302	293	290
	\$ 1,068	\$ 1,052	\$ 1,011
Rental income	\$ 103	\$ 94	\$ 77

NOTE 12 Fair Value Disclosures

As of December 27, 2014 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 \$3.4 billion (Level 2), compared to their carrying value of

\$3.2 billion. We estimated the fair value of debt using market quotes and calculations based on market rates.

Recurring Fair Value Measurements

The Company has interest rate swaps accounted for as fair value hedges, foreign currency forwards accounted for as cash flow hedges and other investments, all of which are required to be measured at fair value on a recurring basis. Interest rate swaps are used to reduce our exposure to interest rate risk and lower interest expense for a portion of our fixed-rate debt and our interest rate swaps meet the shortcut method requirements and thus no ineffectiveness has been recorded. Our foreign currency forwards are used to reduce 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 forwards match those of the underlying receivables or payables and 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. 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 27, 2014 or December 28, 2013.

	Level	Fair Value	
		2014	2013
Foreign Currency Forwards, net	2	\$ 24	\$ 1
Interest Rate Swaps, net	2	10	17
Other Investments	1	21	18
Total		\$ 55	\$ 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 Sheet and their fair value is determined based on the closing market prices of the respective mutual funds as of December 27, 2014 and December 28, 2013.

Non-Recurring Fair Value Measurements

The following table presents expense recognized from all non-recurring fair value measurements during the years ended December 27, 2014 and December 28, 2013. These amounts relate to 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 and exclude fair value measurements made for restaurants that were subsequently closed or refranchised prior to those respective year-end dates.

	2014	2013
Little Sheep impairment (Level 3) ^(a)	\$ 463	\$ 295
Refranchising related impairment – other (Level 2) ^(b)	9	—
Restaurant-level impairment (Level 3) ^(c)	46	19
Total	\$ 518	\$ 314

(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 these restaurants at December 27, 2014 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 27, 2014 and December 28, 2013 is insignificant.

NOTE 13 Pension, Retiree Medical and Retiree Savings Plans

U.S. Pension Plans

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 and 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 our U.S. 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. Subsequent to year end we contributed \$75 million to the Plan, and do not expect to make any further significant contributions in 2015. We currently expect to make \$24 million in benefit payments related to our

primary unfunded U.S. non-qualified plan in 2015. Our two significant U.S. plans were previously amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in those plans.

We do not anticipate any plan assets being returned to the Company during 2015 for any U.S. plans.

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 two significant U.S. pension plans. The actuarial valuations for all plans reflect measurement dates coinciding with our fiscal year end.

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,025	\$ 1,290
Service cost	17	21
Interest cost	54	54
Plan amendments	1	—
Curtailments	(2)	(3)
Special termination benefits	3	5
Benefits paid	(65)	(21)
Settlements ^{(a)(b)}	(17)	(151)
Actuarial (gain) loss	290	(164)
Administrative expense	(5)	(6)
Benefit obligation at end of year	\$ 1,301	\$ 1,025
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 933	\$ 945
Actual return on plan assets	124	116
Employer contributions	21	22
Settlement payments ^(a)	(17)	(123)
Benefits paid	(65)	(21)
Administrative expenses	(5)	(6)
Fair value of plan assets at end of year	\$ 991	\$ 933
Funded status at end of year	\$ (310)	\$ (92)

(a) For discussion of the settlement payments and settlement losses, see Components of net periodic benefit cost below.

(b) 2013 includes the transfer of certain non-qualified pension benefits into a defined benefit plan not included in the table.

Amounts recognized in the Consolidated Balance Sheet:

	2014	2013
Prepaid benefit asset – non-current	\$ —	\$ 10
Accrued benefit liability – current	(11)	(8)
Accrued benefit liability – non-current	(299)	(94)
	\$ (310)	\$ (92)

The accumulated benefit obligation was \$1,254 million and \$983 million at December 27, 2014 and December 28, 2013, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2014	2013
Projected benefit obligation	\$ 1,301	\$ 102
Accumulated benefit obligation	1,254	94
Fair value of plan assets	991	—

PART II
ITEM 8 Financial Statements and Supplementary Data

Information for pension plans with a projected benefit obligation in excess of plan assets:

	2014	2013
Projected benefit obligation	\$ 1,301	\$ 102
Accumulated benefit obligation	1,254	94
Fair value of plan assets	991	—

Components of net periodic benefit cost:

Net periodic benefit cost	2014	2013	2012
Service cost	\$ 17	\$ 21	\$ 26
Interest cost	54	54	66
Amortization of prior service cost ^(a)	1	2	1
Expected return on plan assets	(56)	(59)	(71)
Amortization of net loss	17	48	63
Net periodic benefit cost	\$ 33	\$ 66	\$ 85
Additional (gain) loss recognized due to:			
Settlements ^(b)	\$ 6	\$ 30	\$ 89
Special termination benefits	\$ 3	\$ 5	\$ 3

(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 when benefit payments exceed the sum of the service cost and interest cost within a plan during the year. During the fourth quarter of 2012 and continuing through 2013, the Company allowed certain former employees with deferred vested balances an opportunity to voluntarily elect an early payout of their pension benefits. The majority of these payouts were funded from existing pension plan assets. See Note 4.

Pension (gains) losses in Accumulated other comprehensive income (loss):

	2014	2013
Beginning of year	\$ 124	\$ 428
Net actuarial (gain) loss	220	(221)
Curtailments	(2)	(3)
Amortization of net loss	(17)	(48)
Amortization of prior service cost	(1)	(2)
Prior service cost	1	—
Settlement charges	(6)	(30)
End of year	\$ 319	\$ 124

Accumulated pre-tax losses recognized within Accumulated Other Comprehensive Income:

	2014	2013
Actuarial net loss	\$ 314	\$ 119
Prior service cost	5	5
	\$ 319	\$ 124

The estimated net loss that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2015 is \$45 million. The estimated prior service cost that will be amortized from Accumulated other comprehensive income (loss) into net periodic pension cost in 2015 is \$1 million.

Weighted-average assumptions used to determine benefit obligations at the measurement dates:

	2014	2013
Discount rate	4.30%	5.40%
Rate of compensation increase	3.75%	3.75%

Weighted-average assumptions used to determine the net periodic benefit cost for fiscal years:

	2014	2013	2012
Discount rate	5.40%	4.40%	4.90%
Long-term rate of return on plan assets	6.90%	7.25%	7.25%
Rate of compensation increase	3.75%	3.75%	3.75%

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 27, 2014 and December 28, 2013 by asset category and level within the fair value hierarchy are as follows:

	2014	2013
Level 2:		
Cash Equivalents ^(a)	\$ 5	\$ 5
Equity Securities – U.S. Large cap ^(b)	298	329
Equity Securities – U.S. Mid cap ^(b)	50	55
Equity Securities – U.S. Small cap ^(b)	50	53
Equity Securities – Non-U.S. ^(b)	91	110
Fixed Income Securities – U.S. Corporate ^(b)	305	234
Fixed Income Securities – U.S. Government and Government Agencies ^(c)	178	129
Fixed Income Securities – Other ^(d)	11	15
Total fair value of plan assets ^(e)	\$ 988	\$ 930

(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) 2014 and 2013 both exclude net unsettled trades receivable of \$3 million

Our primary objectives regarding the investment strategy for the Plan's assets 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 50% 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 50% 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 \$0.5 million at December 27, 2014 and \$0.2 million at December 28, 2013 (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:	
2015	\$ 72
2016	53
2017	51
2018	55
2019	57
2020 – 2024	299

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.

International Pension 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 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.

At the end of 2014 and 2013, the projected benefit obligations of these U.K. plans totaled \$231 million and \$226 million, respectively and plan assets totaled \$288 million and \$259 million, respectively. These plans were both in a net overfunded position at the end of 2014 and 2013 and related expense amounts recorded in each of 2014, 2013 and 2012 were not significant.

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 significant contributions to either of our UK plans in 2015.

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. This plan was previously 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 2014 and 2013, the accumulated post-retirement benefit obligation was \$69 million and \$70 million, respectively. An actuarial gain of \$2 million was recognized in Accumulated other comprehensive (income) loss at the end of both 2014 and 2013. The net periodic benefit cost recorded was \$5 million in both 2014 and 2013 and \$6 million in 2012, 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 health care cost trend rates for the following year as of 2014 and 2013 are 7.1% and 7.2%, 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 was reached in 2014; with the cap, 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 \$24 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 both 2014 and 2013 and \$13 million in 2012.

NOTE 14 Share-based and Deferred Compensation Plans

Overview

At year end 2014, 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. 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. 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. We have issued only stock options and SARs under this plan. These awards generally vest over a period of four years and expire ten years after grant.

At year end 2014, approximately 14 million shares were available for future share-based compensation grants under the above plans.

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:

	2014	2013	2012
Risk-free interest rate	1.6%	0.8%	0.8%
Expected term (years)	6.2	6.2	6.0
Expected volatility	29.7%	29.9%	29.0%
Expected dividend yield	2.1%	2.1%	1.8%

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

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 2015.

post-vesting termination behavior, we have determined that our restaurant-level employees and our executives exercised the awards on average after 4.75 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 awards are based on the closing price of our stock on the date of grant. The fair values of PSU awards granted prior to 2013 are based on the closing price of our stock on the date of

grant. Beginning in 2013, the Company grants PSU awards with market-based conditions which we value 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	27,713	\$ 41.77		
Granted	3,619	70.85		
Exercised	(3,549)	30.35		
Forfeited or expired	(611)	61.48		
Outstanding at the end of the year	27,172 ^(a)	\$ 46.68	5.54	\$ 703
Exercisable at the end of the year	17,671	\$ 37.62	4.25	\$ 628

(a) Outstanding awards include 1,968 options and 25,204 SARs with weighted average exercise prices of \$43.71 and \$46.91, respectively.

The weighted-average grant-date fair value of stock options and SARs granted during 2014, 2013 and 2012 was \$17.28, \$14.67 and \$15.00, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 27, 2014, December 28, 2013 and December 29, 2012, was \$157 million, \$176 million and \$319 million, respectively.

As of December 27, 2014, there was \$91 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 1.9 years. The total fair value at grant date of awards that vested during 2014, 2013 and 2012 was \$41 million, \$51 million and \$48 million, respectively.

RSUs and PSUs

As of December 27, 2014, there was \$6 million of unrecognized compensation cost related to 0.8 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:

	2014	2013	2012
Options and SARs	\$ 48	\$ 44	\$ 42
Restricted Stock Units	6	6	5
Performance Share Units	1	(1)	3
Total Share-based Compensation Expense	\$ 55	\$ 49	\$ 50
Deferred Tax Benefit recognized	\$ 17	\$ 15	\$ 15
EID compensation expense not share-based	\$ 8	\$ 11	\$ 5

Cash received from stock option exercises for 2014, 2013 and 2012, was \$29 million, \$37 million and \$62 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with share-based compensation for 2014, 2013 and 2012 totaled \$61 million, \$65 million and \$120 million, respectively.

NOTE 15 Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2014, 2013 and 2012. All amounts exclude applicable transaction fees.

Authorization Date	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
	2014	2013	2012	2014	2013	2012
November 2014	—	—	—	\$ —	\$ —	\$ —
November 2013	8,488	—	—	617	—	—
November 2012	2,737	10,922	1,069	203	750	47
November 2011	—	—	11,035	—	—	750
January 2011	—	—	2,787	—	—	188
Total	11,225	10,922 ^(a)	14,891 ^(a)	\$ 820	\$ 750 ^(a)	\$ 985 ^(a)

(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.

On November 22, 2013, our Board of Directors authorized share repurchases through May 2015 of up to \$750 million (excluding applicable transaction fees) of our outstanding Common Stock. On November 20, 2014, our Board of Directors authorized additional

share repurchases through May 2016 of up to \$1 billion (excluding applicable transaction fees) of our outstanding Common Stock. As of December 27, 2014, we have \$1.1 billion 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 Benefits ^(a)	Derivative Instruments	Total
Balance at December 29, 2012, net of tax	\$ 166	\$ (286)	\$ (12)	\$ (132)
Gains (losses) arising during the year classified into accumulated OCI, net of tax	4	136	4	144
(Gains) losses 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
Gains (losses) arising during the year classified into accumulated OCI, net of tax	(143)	(131)	15	(259)
(Gains) losses reclassified from accumulated OCI, net of tax	2	18	(15)	5
OCI, net of tax	(141)	(113)	—	(254)
Balance at December 27, 2014, net of tax	\$ 29	\$ (210)	\$ (9)	\$ (190)

(a) Amounts reclassified from accumulated OCI for pension and post-retirement benefit plan losses during 2014 include amortization of net losses of \$20 million, settlement charges of \$6 million, amortization of prior service cost of \$1 million and related income tax benefit of \$9 million. 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 13.

NOTE 16 Income Taxes

U.S. and foreign income before taxes are set forth below:

	2014	2013	2012
U.S.	\$ 506	\$ 464	\$ 504
Foreign	921	1,087	1,641
	\$ 1,427	\$ 1,551	\$ 2,145

The details of our income tax provision (benefit) are set forth below:

	2014	2013	2012
Current:			
Federal	\$ 255	\$ 159	\$ 160
Foreign	321	330	314
State	2	22	35
	\$ 578	\$ 511	509
Deferred:			
Federal	\$ (67)	\$ 42	91
Foreign	(106)	(53)	(57)
State	1	(13)	(6)
	(172)	(24)	28
	\$ 406	\$ 487	\$ 537

The reconciliation of income taxes calculated at the U.S. federal statutory rate to our effective tax rate is set forth below:

	2014		2013		2012	
U.S. federal statutory rate	\$ 500	35.0%	\$ 543	35.0%	\$ 751	35.0%
State income tax, net of federal tax benefit	8	0.6	3	0.2	4	0.2
Statutory rate differential attributable to foreign operations	(168)	(11.7)	(177)	(11.4)	(165)	(7.7)
Adjustments to reserves and prior years	(5)	(0.3)	49	3.1	(47)	(2.2)
Change in valuation allowances	35	2.4	23	1.5	14	0.6
Other, net	36	2.5	46	3.0	(20)	(0.9)
Effective income tax rate	\$ 406	28.5%	\$ 487	31.4%	\$ 537	25.0%

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.

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 2014, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

In 2013, this item was negatively impacted by the provision recorded related to the dispute with the IRS regarding the valuation of rights to intangibles transferred to certain foreign subsidiaries. See discussion below in the Internal Revenue Service Adjustments for details.

In 2012, this item was favorably impacted by the resolution of uncertain tax positions in certain foreign jurisdictions.

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 2014, \$35 million of net tax expense was driven by \$41 million for valuation allowances recorded against deferred tax assets generated during the current year, partially offset by \$6 million in 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 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.

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 years 2014 and 2013, this item was negatively impacted by the \$160 million and \$222 million, respectively, of non-cash impairments of Little Sheep goodwill, which resulted in no related tax benefit. See Note 4.

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. See Note 4.

PART II
ITEM 8 Financial Statements and Supplementary Data

The details of 2014 and 2013 deferred tax assets (liabilities) are set forth below:

	2014	2013
Operating losses and tax credit carryforwards	\$ 433	\$ 310
Employee benefits	238	182
Share-based compensation	119	118
Self-insured casualty claims	42	48
Lease-related liabilities	119	120
Various liabilities	73	88
Property, plant and equipment	39	42
Deferred income and other	102	58
Gross deferred tax assets	1,165	966
Deferred tax asset valuation allowances	(228)	(203)
Net deferred tax assets	\$ 937	\$ 763
Intangible assets, including goodwill	\$ (148)	\$ (233)
Property, plant and equipment	(63)	(93)
Other	(104)	(55)
Gross deferred tax liabilities	\$ (315)	\$ (381)
Net deferred tax assets (liabilities)	\$ 622	\$ 382
Reported in Consolidated Balance Sheets as:		
Deferred income taxes – current	\$ 93	\$ 123
Deferred income taxes – long-term	571	399
Accounts payable and other current liabilities	(2)	(2)
Other liabilities and deferred credits	(40)	(138)
	\$ 622	\$ 382

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 \$2.0 billion at December 27, 2014. A determination of the deferred tax liability on this amount is not practicable.

At December 27, 2014, the Company has foreign operating and capital loss carryforwards of \$0.7 billion and U.S. state operating loss, capital loss and tax credit carryforwards of \$1.0 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				Total
	2015	2016 – 2019	2020 – 2034	Indefinitely	
Foreign	\$ 62	\$ 192	\$ 96	\$ 324	\$ 674
U.S. state	18	90	888	—	996
U.S. federal	—	89	157	—	246
	\$ 80	\$ 371	\$ 1,141	\$ 324	\$ 1,916

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 \$115 million and \$243 million of unrecognized tax benefits at December 27, 2014 and December 28, 2013, respectively, \$17 million and \$170 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:

	2014	2013
Beginning of Year	\$ 243	\$ 309
Additions on tax positions – current year	19	19
Additions for tax positions – prior years	31	55
Reductions for tax positions – prior years	(20)	(102)
Reductions for settlements	(144)	(23)
Reductions due to statute expiration	(13)	(16)
Foreign currency translation adjustment	(1)	1
End of Year	\$ 115	\$ 243

In 2014, the reduction in unrecognized tax benefits is primarily attributable to the resolution of the dispute with the IRS regarding the valuation of rights to intangibles transferred to certain foreign

subsidiaries. See discussion below in the Internal Revenue Service Adjustments for details.

The Company believes it is reasonably possible its unrecognized tax benefits may decrease by approximately \$5 million in the next 12 months, including approximately \$3 million which, if recognized upon audit settlement or statute expiration, would affect the 2015 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 Company has settled audits with the IRS through fiscal year 2008. Our operations in certain foreign jurisdictions remain subject to examination for tax years as far back as 2004, some of which years are currently under audit by local tax authorities. 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 27, 2014, each of which is individually insignificant.

The accrued interest and penalties related to income taxes at December 27, 2014 and December 28, 2013 are set forth below:

	2014	2013
Accrued interest and penalties	\$ 5	\$ 64

During 2014, 2013 and 2012, a net expense of \$11 million, net expense of \$18 million and net benefit of \$3 million, respectively, for interest and penalties was recognized in our Consolidated Statements of Income as components of its income tax provision.

the Company received a RAR from the IRS for fiscal years 2007 and 2008 proposing a similar adjustment. The valuation issue impacted tax returns for fiscal years 2004 through 2013.

On July 31, 2014, the Company reached a final agreement with the IRS Appeals Division regarding the valuation issue. As a result of this agreement, we closed out our 2004 - 2006 and 2007 - 2008 audit cycles and made cash payments to the IRS of \$200 million, which were effectively fully reserved, to settle all issues for these audit cycles. The agreement also resolves the valuation issue for all later, impacted years. While additional cash payments related to the valuation issue will be required upon the closure of the examinations of fiscal years 2009 - 2013, the amounts will not be significant.

Internal Revenue Service 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 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. On January 9, 2013,

NOTE 17 Reportable Operating Segments

See Note 1 for a description of our operating segments.

	Revenues		
	2014	2013	2012
China	\$ 6,934	\$ 6,905	\$ 6,898
KFC Division ^(a)	3,193	3,036	3,014
Pizza Hut Division ^(a)	1,148	1,147	1,510
Taco Bell Division ^(a)	1,863	1,869	2,109
India	141	127	102
	\$ 13,279	\$ 13,084	\$ 13,633

	Operating Profit; Interest Expense, Net; and Income Before Income Taxes		
	2014	2013	2012
China ^(b)	\$ 713	\$ 777	\$ 1,015
KFC Division	708	649	626
Pizza Hut Division	295	339	320
Taco Bell Division	480	456	435
India	(9)	(15)	(1)
Unallocated restaurant costs ^{(c)(d)}	(1)	—	16
Unallocated and corporate expenses ^{(c)(e)}	(189)	(207)	(271)
Unallocated Closures and impairment expense ^{(c)(f)}	(463)	(295)	—
Unallocated Other income (expense) ^{(c)(g)}	(10)	(6)	76
Unallocated Refranchising gain (loss) ^{(c)(m)}	33	100	78
Operating Profit	1,557	1,798	2,294
Interest expense, net ^{(c)(h)}	(130)	(247)	(149)
Income Before Income Taxes	\$ 1,427	\$ 1,551	\$ 2,145

PART II
ITEM 8 Financial Statements and Supplementary Data

	Depreciation and Amortization		
	2014	2013	2012
China	\$ 411	\$ 394	\$ 337
KFC Division	187	190	161
Pizza Hut Division	39	36	55
Taco Bell Division	83	84	98
India	10	9	6
Corporate	9	8	8
	\$ 739	\$ 721	\$ 665

	Capital Spending		
	2014	2013	2012
China	\$ 525	\$ 568	\$ 655
KFC Division	273	294	259
Pizza Hut Division	62	52	52
Taco Bell Division	143	100	113
India	21	31	18
Corporate	9	4	2
	\$ 1,033	\$ 1,049	\$ 1,099

	Identifiable Assets	
	2014	2013
China ⁽ⁱ⁾	\$ 3,208	\$ 3,720
KFC Division ⁽ⁱ⁾	2,331	2,452
Pizza Hut Division ⁽ⁱ⁾	711	703
Taco Bell Division ⁽ⁱ⁾	1,084	1,017
India	118	99
Corporate ^{(i)(l)}	893	704
	\$ 8,345	\$ 8,695

	Long-Lived Assets ^(k)	
	2014	2013
China	\$ 2,217	\$ 2,667
KFC Division	1,823	1,930
Pizza Hut Division	433	424
Taco Bell Division	920	847
India	72	66
Corporate	51	52
	\$ 5,516	\$ 5,986

(a) U.S. revenues included in the combined KFC, Pizza Hut and Taco Bell Divisions totaled \$2,959 million, \$2,953 million and \$3,352 million in 2014, 2013 and 2012, respectively.

(b) Includes equity income from investments in unconsolidated affiliates of \$30 million, \$26 million and \$47 million in 2014, 2013 and 2012, respectively.

(c) Amounts have not been allocated to any segment for performance reporting purposes.

(d) 2012 includes depreciation reductions arising from the impairments of Pizza Hut UK restaurants we later sold in 2012 of \$13 million. See Note 4.

(e) 2013 and 2012 include pension settlement charges of \$22 million and \$87 million, respectively.

(f) Represents 2014 and 2013 impairment losses related to Little Sheep. See Note 4.

(g) 2012 includes gain upon acquisition of Little Sheep of \$74 million. See Note 4.

(h) 2013 includes \$118 million of premiums and other costs related to the extinguishment of debt. See Note 4.

(i) China includes investments in 4 unconsolidated affiliates totaling \$52 million, \$53 million and \$72 million for 2014, 2013 and 2012, respectively.

(j) Primarily includes cash, deferred tax assets and property, plant and equipment, net, related to our office facilities.

(k) Includes property, plant and equipment, net, goodwill, and intangible assets, net.

(l) U.S. identifiable assets included in the combined Corporate and KFC, Pizza Hut and Taco Bell Divisions totaled \$1,952 million and \$2,061 million in 2014 and 2013, respectively.

(m) In 2014, 2013 and 2012, we recorded pre-tax franchising gains of \$6 million, \$91 million and \$122 million, respectively, in the U.S. The gains in 2013 and 2012 were primarily due to gains on sales of Taco Bell restaurants.

NOTE 18 Contingencies

Lease Guarantees

As a result of having (a) assigned our interest in obligations under real estate leases as a condition to the refranchising of certain Company restaurants; (b) contributed certain Company restaurants to unconsolidated affiliates; and (c) guaranteed certain other leases, we are frequently contingently liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of December 27, 2014, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately \$650 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 27, 2014 was approximately \$575 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 27, 2014 and December 28, 2013 was not material.

Franchise Loan Pool and Equipment Guarantees

We have agreed to provide financial support, if required, to a variable interest entity that operates a franchisee lending program used primarily to assist franchisees in the development of new restaurants 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 20% of the outstanding loans of the franchisee loan program. As such, at December 27, 2014

The following table summarizes the 2014 and 2013 activity related to our net self-insured property and casualty reserves as of December 27, 2014.

	Beginning Balance	Expense	Payments	Ending Balance
2014 Activity	\$ 128	42	(54)	\$ 116
2013 Activity	\$ 142	47	(61)	\$ 128

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.

our guarantee exposure under this program is approximately \$6 million based on total loans outstanding of \$29 million.

In addition to the guarantees described above, YUM has agreed to provide guarantees of up to approximately \$100 million on behalf of franchisees for several financing programs related to specific initiatives. At December 27, 2014 our guarantee exposure under these financing programs is approximately \$25 million based on total loans outstanding of \$42 million.

Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 27, 2014 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of approximately \$1.1 billion for the year ended December 27, 2014 and assets and debt of approximately \$344 million and \$82 million, respectively, at December 27, 2014.

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.

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

PART II
ITEM 8 Financial Statements and Supplementary Data

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. On December 24, 2014, the District Court granted that motion to dismiss in its entirety and dismissed the Amended Complaint with prejudice. On January 16, 2015, lead plaintiff filed a notice of appeal to the United States Court of Appeal for the Sixth Circuit. 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 appeal of the dismissal of 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 appeal of the dismissal of 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 appeal of the dismissal of 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 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.

Per order of the court, plaintiffs filed a second amended complaint to clarify the class claims. Plaintiffs also filed a motion for partial summary judgment. Taco Bell filed motions to strike and to dismiss, as well as a motion to alter or amend the second amended complaint. On August 29, 2014, the court denied plaintiffs' motion for partial summary judgment. On that same date, the court granted Taco Bell's motion to dismiss all but one of the California Private Attorney General Act claims. On October 29, 2014, plaintiffs filed a motion to amend the operative complaint and a motion to amend the class certification order. On December 16, 2014, the court partially granted both motions, rejecting plaintiffs' proposed on-duty meal period class but certifying a limited rest break class and certifying an underpaid meal premium class, and allowing the plaintiffs to amend the complaint to reflect those certifications. On December 30, 2014, plaintiffs filed the third amended complaint. On January 12, 2015, Taco Bell filed a motion to dismiss or strike the underpaid meal premium class. That motion is set for hearing on February 25, 2015.

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. In April 2014 the parties stipulated to address the sufficiency of plaintiff's legal theory as to her discount meal break claim before conducting full discovery. A hearing on the parties' cross-summary judgment motions was held on October 22, 2014, and on October 23, 2014, the court granted Taco Bell's motion for summary judgment on the discount meal break claim and denied plaintiff's motion. Discovery will continue as to plaintiff's remaining claims.

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 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 6,049 individuals opted in. On February 28, 2014, Pizza Hut filed a motion to decertify the collective action, along with a motion for partial summary judgment seeking an order from the court that the FLSA does not require Pizza Hut to reimburse certain fixed costs that delivery drivers would have incurred regardless of their employment with Pizza Hut.

On September 24, 2014, the parties entered into a Term Sheet setting forth the terms upon which the parties had agreed to settle this matter. Pursuant to the parties' original agreement, one issue, the mileage of an average round trip, remained outstanding and was to be submitted for arbitration. The parties have instead negotiated a final settlement, inclusive of that issue and without any contingencies. The proposed settlement amount has been accrued in our Consolidated Financial Statements, and the associated cash payments will not be material.

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 19 Selected Quarterly Financial Data (Unaudited)

	2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	\$ 2,292	\$ 2,758	\$ 2,891	\$ 3,383	\$ 11,324
Franchise and license fees and income	432	446	463	614	1,955
Total revenues	2,724	3,204	3,354	3,997	13,279
Restaurant profit	441	428	429	344	1,642
Operating Profit ^(a)	571	479	550	(43)	1,557
Net Income – YUM! Brands, Inc.	399	334	404	(86)	1,051
Basic earnings per common share	0.89	0.75	0.91	(0.20)	2.37
Diluted earnings per common share	0.87	0.73	0.89	(0.20)	2.32
Dividends declared per common share	0.37	0.37	—	0.82	1.56

	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 ^(b)	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

(a) Includes a non-cash charge of \$463 million in the fourth quarter related primarily to the impairment of Little Sheep intangible assets. See Note 4.

(b) 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. franchising gains of \$17 million, \$28 million, \$37 million and \$9 million in the first, second, third and fourth quarters, respectively. See Note 4.

(c) Includes an after-tax charge of \$75 million in the fourth quarter related to the repurchase of Senior Unsecured Notes. See Note 4.

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 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 (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation

under the framework in *Internal Control – Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 27, 2014.

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 27, 2014.

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 27, 2014.

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 27, 2014.

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 27, 2014.

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 27, 2014.

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 27, 2014.

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 Exhibit Index 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 17, 2015

YUM! BRANDS, INC.

By: /s/GREG CREED

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	<i>Executive Chairman</i>	February 17, 2015
/s/GREG CREED Greg Creed	<i>Chief Executive Officer (principal executive officer)</i>	February 17, 2015
/s/PATRICK J. GRISMER Patrick J. Grismer	<i>Chief Financial Officer (principal financial officer)</i>	February 17, 2015
/s/DAVID E. RUSSELL David E. Russell	<i>Vice President, Finance and Corporate Controller (principal accounting officer)</i>	February 17, 2015
/s/MICHAEL J. CAVANAGH Michael J. Cavanagh	<i>Director</i>	February 17, 2015
/s/DAVID W. DORMAN David W. Dorman	<i>Director</i>	February 17, 2015
/s/MASSIMO FERRAGAMO Massimo Ferragamo	<i>Director</i>	February 17, 2015
/s/MIRIAN GRADDICK-WEIR Mirian Graddick-Weir	<i>Director</i>	February 17, 2015
/s/BONNIE G. HILL Bonnie G. Hill	<i>Director</i>	February 17, 2015
/s/JONATHAN S. LINEN Jonathan S. Linen	<i>Director</i>	February 17, 2015
/s/THOMAS C. NELSON Thomas C. Nelson	<i>Director</i>	February 17, 2015
/s/THOMAS M. RYAN Thomas M. Ryan	<i>Director</i>	February 17, 2015
/s/ELANE STOCK Elane Stock	<i>Director</i>	February 17, 2015
/s/JING-SHYH S. SU Jing-Shyh S. Su	<i>Vice-Chairman of the Board</i>	February 17, 2015
/s/ROBERT D. WALTER Robert D. Walter	<i>Director</i>	February 17, 2015

YUM! Brands, Inc.

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 1, 2014, which are incorporated herein by reference from Exhibit 3.1 to YUM's Report on Form 8-K filed on May 6, 2014.
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. <ul style="list-style-type: none"> (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.

Exhibit Number	Description of Exhibits
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.
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.
10.15.2†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2015) (Stock Options), as filed herewith.
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.
10.18.2†	Form of YUM 1999 Long Term Incentive Plan Award Agreement (2015) (Stock Appreciation Rights), as filed herewith.
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.
10.27†	1999 Long Term Incentive Plan Award (Stock Appreciation Rights) by and between the Company and David C. Novak, dated as of February 6, 2015, as filed herewith.
10.28†	YUM! Brands, Inc. Compensation Recovery Policy, Amended and Restated January 1, 2015, as filed herewith.
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 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.

PART IV

ITEM 15 Exhibits and Financial Statement Schedules

Exhibit Number	Description of Exhibits
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 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.
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, LLC ("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., 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, LLC
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: (888) 298-6986

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.



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 62
Executive Chairman,
Yum! Brands, Inc.

Greg Creed 57
Chief Executive Officer,
Yum! Brands, Inc.

Jing-Shyh S. (“Sam”) Su 62
Vice Chairman, Yum! Brands, Inc.
Chairman and Chief Executive Officer,
Yum! Restaurants China

Michael J. Cavanagh 49
Co-President and Co-Chief Operating Officer,
The Carlyle Group

David W. Dorman 61
Non-Executive Chairman,
CVS Health Corporation

Massimo Ferragamo 57
Chairman, Ferragamo USA, Inc.,
a subsidiary of Salvatore Ferragamo Italia

Mirian M. Graddick-Weir 60
Executive Vice President Human Resources,
Merck & Co., Inc.

Bonnie G. Hill 73
President, B. Hill Enterprises LLC

Jonathan S. Linen 71
Advisor to Chairman, American Express Company

Thomas C. Nelson 52
Chairman, Chief Executive Officer and President,
National Gypsum Company

Thomas M. Ryan 62
Former Chairman and CEO,
CVS Health Corporation

Elane B. Stock 50
Group President,
Kimberly-Clark International

Robert D. Walter 69
Founder and Retired Chairman/CEO,
Cardinal Health, Inc.

SENIOR OFFICERS

David C. Novak 62
Executive Chairman,
Yum! Brands, Inc.

Greg Creed 57
Chief Executive Officer,
Yum! Brands, Inc.

Jing-Shyh S. (“Sam”) Su 62
Vice Chairman, Yum! Brands, Inc.
Chairman and Chief Executive Officer,
Yum! Restaurants China

Jonathan D. Blum 56
Senior Vice President, Chief Public Affairs and
Global Nutrition Officer, Yum! Brands, Inc.

Anne P. Byerlein 56
Chief People Officer, Yum! Brands, Inc.

Christian L. Campbell 64
Senior Vice President, General Counsel,
Secretary and Chief Franchise Policy Officer,
Yum! Brands, Inc.

Niren Chaudhary 52
President, Yum! Restaurants India

Roger Eaton 54
President, KFC and Chief Operations Officer,
Yum! Brands, Inc.

Larry Gathof 53
Vice President and Treasurer, Yum! Brands, Inc.

David Gibbs 51
Chief Executive Officer, Pizza Hut

Patrick Grismer 53
Chief Financial Officer,
Yum! Brands, Inc.

Brian Niccol 40
Chief Executive Officer, Taco Bell

Muktesh (“Micky”) Pant 60
Chief Executive Officer, KFC

David E. Russell 45
Vice President, Finance and Corporate Controller,
Yum! Brands, Inc.

FINANCIAL HIGHLIGHTS

(In millions, except for per share amounts)

Year-end	2014	2013	% B/(W) change
Company sales	\$ 11,324	\$ 11,184	1
Franchise and license fees and income	1,955	1,900	3
Total revenues	\$ 13,279	\$ 13,084	1
Operating Profit	\$ 1,557	\$ 1,798	(13)
Net Income – Yum! Brands, Inc.	\$ 1,051	\$ 1,091	(4)
Diluted Earnings Per Common Share before Special Items ^(a)	\$ 3.09	\$ 2.97	4
Special Items Earnings Per Common Share ^(a)	(0.77)	(0.61)	NM
Reported Diluted Earnings Per Common Share	\$ 2.32	\$ 2.36	(2)
Cash Flows Provided by Operating Activities	\$ 2,049	\$ 2,139	(4)

(a) See our 2014 Form 10-K for further discussion of Special Items.

ABOUT THE PAPER USED FOR THIS REPORT

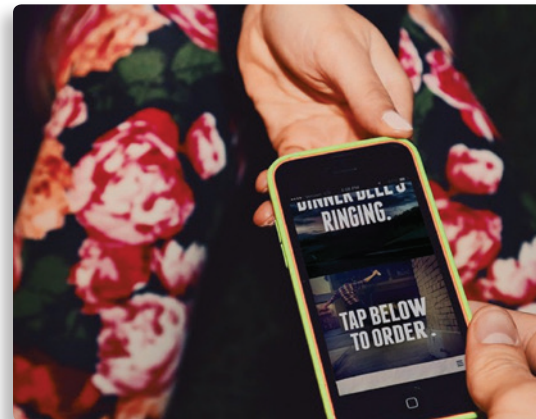


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**ALONE WE'RE DELICIOUS.
TOGETHER WE'RE YUM!**



Yum! Brands, Inc., trades under the symbol YUM and is proud to meet the listing requirements of the NYSE, the world's leading equities market.

