

Section 1: 10-Q (10-Q)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number 1-13163

YUM! BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

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

13-3951308

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

40213
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, no par value	YUM	New York Stock Exchange

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

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

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

Large accelerated filer:	<input checked="" type="checkbox"/>	Accelerated filer:	<input type="checkbox"/>
Non-accelerated filer:	<input type="checkbox"/>	Smaller reporting company:	<input type="checkbox"/>

Emerging growth company:]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.]

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

The number of shares outstanding of the registrant's Common Stock as of April 30, 2019 was 305,975,118 shares.

YUM! BRANDS, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions, except per share data)

	Quarter ended	
	3/31/2019	3/31/2018
Revenues		
Company sales	\$ 333	\$ 512
Franchise and property revenues	612	584
Franchise contributions for advertising and other services	309	275
Total revenues	<u>1,254</u>	<u>1,371</u>
Costs and Expenses, Net		
Company restaurant expenses	272	438
General and administrative expenses	211	219
Franchise and property expenses	43	47
Franchise advertising and other services expense	301	272
Refranchising (gain) loss	(6)	(156)
Other (income) expense	—	(2)
Total costs and expenses, net	<u>821</u>	<u>818</u>
Operating Profit	433	553
Investment (income) expense, net	16	(66)
Other pension (income) expense	3	3
Interest expense, net	115	107
Income before income taxes	299	509
Income tax provision	37	76
Net Income	<u>\$ 262</u>	<u>\$ 433</u>
Basic Earnings Per Common Share	<u>\$ 0.85</u>	<u>\$ 1.30</u>
Diluted Earnings Per Common Share	<u>\$ 0.83</u>	<u>\$ 1.27</u>
Dividends Declared Per Common Share	<u>\$ 0.42</u>	<u>\$ 0.36</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/31/2019	3/31/2018
Net Income	\$ 262	\$ 433
Other comprehensive income (loss), net of tax		
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature		
Adjustments and gains (losses) arising during the period	34	46
	<u>34</u>	<u>46</u>
Tax (expense) benefit	(4)	(6)
	<u>30</u>	<u>40</u>
Changes in pension and post-retirement benefits		
Reclassification of (gains) losses into Net Income	4	6
	<u>4</u>	<u>6</u>
Tax (expense) benefit	(1)	(1)
	<u>3</u>	<u>5</u>
Changes in derivative instruments		
Unrealized gains (losses) arising during the period	(16)	2
Reclassification of (gains) losses into Net Income	(15)	11
	<u>(31)</u>	<u>13</u>
Tax (expense) benefit	8	(4)
	<u>(23)</u>	<u>9</u>
Other comprehensive income (loss), net of tax	10	54
Comprehensive Income	<u>\$ 272</u>	<u>\$ 487</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/31/2019	3/31/2018
Cash Flows – Operating Activities		
Net Income	\$ 262	\$ 433
Depreciation and amortization	26	37
Refranchising (gain) loss	(6)	(156)
Investment (income) expense, net	16	(66)
Contributions to defined benefit pension plans	(9)	(3)
Deferred income taxes	(1)	(1)
Share-based compensation expense	17	17
Changes in accounts and notes receivable	14	4
Changes in prepaid expenses and other current assets	(13)	(22)
Changes in accounts payable and other current liabilities	(50)	(99)
Changes in income taxes payable	(5)	13
Other, net	49	32
Net Cash Provided by Operating Activities	<u>300</u>	<u>189</u>
Cash Flows – Investing Activities		
Capital spending	(44)	(42)
Proceeds from refranchising of restaurants	14	205
Other, net	(4)	1
Net Cash Provided by (Used in) Investing Activities	<u>(34)</u>	<u>164</u>
Cash Flows – Financing Activities		
Proceeds from long-term debt	—	—
Repayments of long-term debt	(20)	(332)
Revolving credit facilities, three months or less, net	—	—
Short-term borrowings by original maturity		
More than three months - proceeds	58	12
More than three months - payments	(41)	(7)
Three months or less, net	—	—
Repurchase shares of Common Stock	(109)	(498)
Dividends paid on Common Stock	(129)	(120)
Other, net	(37)	(31)
Net Cash Used in Financing Activities	<u>(278)</u>	<u>(976)</u>
Effect of Exchange Rates on Cash and Cash Equivalents	<u>12</u>	<u>38</u>
Net Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	<u>—</u>	<u>(585)</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - Beginning of Period	<u>474</u>	<u>1,668</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - End of Period	<u>\$ 474</u>	<u>\$ 1,083</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	(Unaudited) 3/31/2019	12/31/2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 278	\$ 292
Accounts and notes receivable, net	543	561
Prepaid expenses and other current assets	365	354
Total Current Assets	<u>1,186</u>	<u>1,207</u>
Property, plant and equipment, net	1,212	1,237
Goodwill	529	525
Intangible assets, net	243	242
Other assets	1,372	724
Deferred income taxes	202	195
Total Assets	<u>\$ 4,744</u>	<u>\$ 4,130</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and other current liabilities	\$ 918	\$ 911
Income taxes payable	71	69
Short-term borrowings	338	321
Total Current Liabilities	<u>1,327</u>	<u>1,301</u>
Long-term debt	9,736	9,751
Other liabilities and deferred credits	1,585	1,004
Total Liabilities	<u>12,648</u>	<u>12,056</u>
Shareholders' Deficit		
Common Stock, no par value, 750 shares authorized; 306 shares issued in both 2019 and 2018	—	—
Accumulated deficit	(7,580)	(7,592)
Accumulated other comprehensive loss	(324)	(334)
Total Shareholders' Deficit	<u>(7,904)</u>	<u>(7,926)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 4,744</u>	<u>\$ 4,130</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

YUM! BRANDS, INC. AND SUBSIDIARIES

Quarters ended March 31, 2019 and 2018

(in millions)

	Yum! Brands, Inc.				
	Issued Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Income(Loss)	Total Shareholders' Deficit
	Shares	Amount			
Balance at December 31, 2018	306	\$ —	\$ (7,592)	\$ (334)	\$ (7,926)
Net Income			262		262
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of \$4 million)				30	30
Pension and post-retirement benefit plans (net of tax impact of \$1 million)				3	3
Net loss on derivative instruments (net of tax impact of \$8 million)				(23)	(23)
Comprehensive Income					272
Dividends declared			(129)		(129)
Repurchase of shares of Common Stock	(1)		(106)		(106)
Employee share-based award exercises	1	(25)	(13)		(38)
Share-based compensation events		25			25
Adoption of accounting standard			(2)		(2)
Balance at March 31, 2019	306	\$ —	\$ (7,580)	\$ (324)	\$ (7,904)
Balance at December 31, 2017	332	\$ —	\$ (6,063)	\$ (271)	\$ (6,334)
Net Income			433		433
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature (net of tax impact of \$6 million)				40	40
Pension and post-retirement benefit plans (net of tax impact of \$1 million)				5	5
Net gain on derivative instruments (net of tax impact of \$4 million)				9	9
Comprehensive Income					487
Dividends declared			(121)		(121)
Repurchase of shares of Common Stock	(7)		(528)		(528)
Employee share-based award exercises	2	(23)	(4)		(27)
Share-based compensation events		23			23
Adoption of accounting standards			(256)	2	(254)
Balance at March 31, 2018	327	\$ —	\$ (6,539)	\$ (215)	\$ (6,754)

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular amounts in millions, except per share data)

Note 1 - Financial Statement Presentation

We have prepared our accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles in the United States (“GAAP”) for complete financial statements. Therefore, we suggest that the accompanying Financial Statements be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (“2018 Form 10-K”).

YUM! Brands, Inc. and its Subsidiaries (collectively referred to herein as the “Company,” “YUM,” “we,” “us” or “our”) franchises or operates a system of over 48,000 quick service restaurants in more than 145 countries and territories. At March 31, 2019, 98% of these restaurants were owned and operated by franchisees. The company’s KFC, Pizza Hut and Taco Bell brands (collectively the “Concepts”) are global leaders of the chicken, pizza and Mexican-style food categories.

As of March 31, 2019, YUM consisted of three operating segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept

YUM's fiscal year begins on January 1 and ends December 31 of each year, with each quarter comprised of three months. Our U.S. subsidiaries and certain international subsidiaries operate on a weekly periodic calendar where the first three quarters of each fiscal year consists 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. For our subsidiaries that operate on this weekly periodic calendar, 2019 will include a 53rd week. Our remaining international subsidiaries operate on a monthly calendar similar to that on which YUM operates.

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

The accompanying Financial Statements include all normal and recurring adjustments considered necessary to present fairly, when read in conjunction with our 2018 Form 10-K, the results of the interim periods presented. Our results of operations, comprehensive income, cash flows and changes in shareholders' deficit for these interim periods are not necessarily indicative of the results to be expected for the full year.

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

We have reclassified certain other items in the Financial Statements for the prior periods to be comparable with the classification for the quarter ended March 31, 2019. These reclassifications had no effect on previously reported Net Income.

Note 2 - Lease Accounting

Starting in February 2016 and continuing into 2019, the Financial Accounting Standards Board ("FASB") issued standards on the recognition and measurement of leases ("Topic 842"). We adopted these standards beginning with the quarter ended March 31, 2019, using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of 2019 and have not recast the comparative periods presented in the Condensed Consolidated Financial Statements. The standards provide a number of optional practical expedients and policy elections in transition. We elected the 'package of practical expedients' under which we did not reassess under the standards our prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the use-of-hindsight or the practical expedient pertaining to land easements. Refer to Note 5 for information regarding the adjustments recorded to our Condensed Consolidated Balance Sheet as of the beginning of the quarter ended March 31, 2019 to reflect the adoption of Topic 842. Below is information about the nature of our leases, accounting policies and assumptions subsequent to adopting Topic 842 and other required disclosures.

In certain instances, we lease or sublease certain restaurants to franchisees. Our lessor and sublease portfolio primarily consists of stores that have been leased to franchisees subsequent to refranchising transactions. Our most significant leases with lease and non-lease components are leases with our franchisees that include both the right to use a restaurant as well a license of the intellectual property associated with our Concepts' brands. For these leases, which are primarily classified as operating leases, we account for the lease and non-lease components separately. Revenues from rental agreements with franchisees are presented within Franchise and property revenues in our Condensed Consolidated Statements of Income and related expenses (e.g. depreciation and rent expense) are presented within Franchise and property expenses. The impact of Topic 842 on the accounting for our lessor and sublease portfolio was not significant.

We lease land, buildings or both for certain of our restaurants and restaurant support centers worldwide. Rental expense for leased restaurants is presented in our Condensed Consolidated Statements of Income as Company restaurant expenses and rental expense for restaurant support centers is presented as General and administrative expenses. 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 finance (referred to as "capital" leases prior to the adoption of Topic 842) 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 certain at the commencement of the lease. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements that might be impaired if we choose not to continue the use of the leased property. Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. We generally do not receive leasehold improvement incentives from the landlord upon opening a store that is subject to a lease. Our leasing activity for other assets, including equipment, is not significant. We determine if an arrangement is a lease at inception.

Prior to the adoption of Topic 842 ("Legacy GAAP") liabilities for future rental payments under operating leases were not recognized on the balance sheet of the Company except when recognizing a liability was necessary to reflect the impact of recognizing rent expense on a straight-line basis. Upon the adoption of Topic 842, right-of-use assets and liabilities are recognized upon lease commencement for operating leases based on the present value of lease payments over the lease term. Such assets and liabilities have historically been recorded for finance leases. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Subsequent amortization of the right-of-use asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. For finance leases, the right-of-use asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. As most of our leases do not provide an implicit discount rate, we use our incremental secured borrowing rate based on the information available at commencement date, including the lease term and currency, in determining the present value of lease payments for both operating and finance leases. Leases with an initial term of 12 months or less are not recorded in the Condensed Consolidated Balance Sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Right-of-use assets are assessed for impairment in accordance with our long-lived asset impairment policy, which is performed annually or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We reassess lease classification and remeasure right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842. Operating lease right-of-use assets are included in Other Assets and operating lease liabilities are included in Accounts payable and other current liabilities and Other liabilities and deferred credits in our Condensed Consolidated Balance Sheets. Finance lease right-of-use assets are included in Property, plant and equipment, net, while future rent obligations are included in Short-term borrowings and Long-term debt in our Condensed Consolidated Balance Sheets. The difference between operating lease rental

expense recognized in our Condensed Consolidated Statements of Income and cash payments for operating leases is recognized within Other, net within Net Cash Provided by Operating Activities in our Condensed Consolidated Statements of Cash Flows.

From time-to-time, our lease agreements include rental payments based on a percentage of restaurant sales in excess of stipulated amounts. Such amounts are recognized as variable lease expense when they are incurred. Additionally, certain of our lease agreements include rental payments adjusted periodically for inflation. Liabilities for such leases are not remeasured as a result of changes in the inflation index and, instead, changes in the inflation index are treated as variable lease payments and recognized as lease expense in the period in which the obligation for those payments is incurred. Variable lease payments based on a percentage of restaurant sales or resulting from changes in the inflation index are not significant.

	<u>Quarter Ended</u> <u>3/31/2019</u>
The components of lease expense were as follows:	
Operating lease cost	\$ 29
Finance lease cost	
Amortization of right-of-use assets	1
Interest on lease liabilities	1
Total finance lease cost	<u>2</u>
Sublease income	(18)

	<u>Quarter Ended</u> <u>3/31/2019</u>
Supplemental cash flow information related to leases was as follows:	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 25
Operating cash flows from finance leases	1
Financing cash flows from finance leases	1
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	2
Finance leases	3

Supplemental balance sheet information related to leases was as follows:

	3/31/2019	Condensed Consolidated Balance Sheet
Assets		
Operating lease right-of-use assets	\$ 661	Other assets
Finance lease right-of-use assets	36	Property, plant and equipment, net
Total right-of-use assets ^(a)	<u>\$ 697</u>	
Liabilities		
Current		
Operating	\$ 78	Accounts payable and other current liabilities
Finance	6	Short-term borrowings
Non-current		
Operating	643	Other liabilities and deferred credits
Finance	65	Long-term debt
Total lease liabilities ^(a)	<u>\$ 792</u>	
Weighted-average Remaining Lease Term (in years)		
Operating leases	11.7	
Finance leases	11.6	
Weighted-average Discount Rate		
Operating leases	5.5%	
Finance leases	5.7%	

(a) U.S. operating lease right-of-use assets and liabilities totaled \$281 million and \$330 million, respectively, as of March 31, 2019 and primarily related to Taco Bell U.S.

Future minimum lease payments as of March 31, 2019, including rental payments for lease renewal options we are reasonably certain to exercise were as follows:

	Commitments	
	Finance	Operating
Less than 1 year	\$ 10	\$ 107
1-2 years	10	103
2-3 years	9	95
3-4 years	8	86
4-5 years	8	78
Thereafter	54	546
Total lease payments	99	1,015
Less imputed interest	(28)	(294)
Total lease liabilities	\$ 71	\$ 721

Future minimum lease payments under the non-cancellable term of leases as of December 31, 2018 as required to be disclosed under Legacy GAAP were as follows:

	Commitments	
	Capital	Operating
2019	\$ 10	\$ 103
2020	10	89
2021	9	78
2022	8	71
2023	8	61
Thereafter	58	384
Total lease payments	\$ 103	\$ 786

Note 3 - Earnings Per Common Share (“EPS”)

	Quarter ended	
	2019	2018
Net Income	\$ 262	\$ 433
Weighted-average common shares outstanding (for basic calculation)	308	332
Effect of dilutive share-based employee compensation	7	8
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	315	340
Basic EPS	\$ 0.85	\$ 1.30
Diluted EPS	\$ 0.83	\$ 1.27
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation ^(a)	1.3	2.3

(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 - Shareholders' Deficit

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during the quarters ended March 31, 2019 and 2018 as indicated below. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)		Dollar Value of Shares Repurchased		Remaining Dollar Value of Shares that may be Repurchased
	2019	2018	2019	2018	2019
November 2017 Authorization	—	6,507	—	528	—
August 2018 Authorization	1,127	—	106	—	1,000
Total	1,127 ^(a)	6,507 ^(b)	\$ 106 ^(a)	\$ 528 ^(b)	\$ 1,000

(a) Includes the effect of \$2 million in share repurchases (0.02 million shares) with trade dates prior to March 31, 2019, but cash settlement dates subsequent to March 31, 2019 and excludes the effect of \$5 million in share repurchases (0.05 million shares) with trade dates on, or prior to, December 31, 2018, but cash settlement dates subsequent to December 31, 2018.

(b) Includes the effect of \$30 million in share repurchases (0.4 million shares) with trade dates prior to March 31, 2018, but cash settlement dates subsequent to March 31, 2018.

Changes in Accumulated other comprehensive (income) loss ("AOCI") are presented below.

	Translation Adjustments and Gains (Losses) From Intra-Entity Transactions of a Long-Term Nature	Pension and Post-Retirement Benefits	Derivative Instruments	Total
Balance at December 31, 2018, net of tax	\$ (245)	\$ (82)	\$ (7)	\$ (334)
OCI, net of tax				
Gains (losses) arising during the period classified into AOCI, net of tax	30	—	(11)	19
(Gains) losses reclassified from AOCI, net of tax	—	3	(12)	(9)
	30	3	(23)	10
Balance at March 31, 2019, net of tax	\$ (215)	\$ (79)	\$ (30)	\$ (324)

Note 5 - Items Affecting Comparability of Net Income, Financial Position and Cash Flows

Refranchising (Gain) Loss

The Refranchising (gain) loss by our Divisional reportable segments is presented below. Given the size and volatility of refranchising initiatives, our chief operating decision maker ("CODM") does not consider the impact of Refranchising (gain) loss when assessing Divisional segment performance. As such, we do not allocate such gains and losses to our Divisional segments for performance reporting purposes.

During the quarter ended March 31, 2019, we refranchised 6 restaurants and sold certain restaurant assets associated with existing franchise restaurants. Pre-tax proceeds related to these sales totaled \$14 million. During the quarter ended March 31, 2018, we refranchised 144 restaurants and received \$205 million in pre-tax proceeds.

A summary of Refranchising (gain) loss is as follows:

	Quarter ended	
	2019	2018
KFC Division	(2)	\$ (57)
Pizza Hut Division	—	(2)
Taco Bell Division	(4)	(97)
Worldwide	<u>\$ (6)</u>	<u>\$ (156)</u>

Pizza Hut U.S. Transformation Agreement

In May 2017, we reached an agreement with Pizza Hut U.S. franchisees that will improve brand marketing alignment, accelerate enhancements in operations and technology and that included a permanent commitment to incremental advertising as well as digital and technology contributions by franchisees (the "Transformation Agreement"). In connection with the Transformation Agreement we anticipate investing approximately \$90 million from 2017 to 2019 to upgrade restaurant equipment to improve operations, fund improvements in restaurant technology and enhance digital and e-commerce capabilities. As of March 31, 2019, we have invested \$76 million since the inception of the agreement.

We have invested \$8 million and \$7 million in the quarters ended March 31, 2019 and 2018, respectively, related to the Transformation Agreement. These amounts primarily consisted of capital investments and franchisee incentive payments that were capitalized. Also included are operating investments in both the quarter ended March 31, 2019 and March 31, 2018 of \$1 million.

Due to their unique and long-term brand-building nature as well as their non-recurring impact on Pizza Hut's Division results, the financial impact of operating investments that are part of the Transformation Agreement, are not being considered by our CODM when assessing segment performance. As such, these operating investments are not being allocated to the Pizza Hut Division operating segment results for performance reporting purposes.

Depreciation on capital investments made as part of the Transformation Agreement is being allocated to Pizza Hut segment results as the expense is recurring and is not expected to significantly impact the comparability of results in any given period. For the same reasons, the amortization related to capitalized franchisee incentive payments is being allocated to Pizza Hut Division operating segment results.

In addition to the investments above, we funded \$37.5 million of incremental system advertising from the second half of 2017 through 2018, including \$3 million we incurred during the quarter ended March 31, 2018. These advertising amounts were recorded primarily in Franchise and property expenses and were included in the Pizza Hut Division segment operating results.

KFC U.S. Acceleration Agreement

During 2015, we reached an agreement with our KFC U.S. franchisees that gave us brand marketing control as well as an accelerated path to expanded menu offerings, improved assets and enhanced customer experience. In connection with this agreement we are investing approximately \$130 million from 2015 through 2019 primarily to fund new back-of-house equipment for franchisees

and to provide incentives to accelerate franchisee store remodels. We invested \$1 million in both the quarters ended March 31, 2019 and 2018 and \$122 million since the inception of the agreement.

In addition to the investments above, we funded \$60 million of incremental system advertising from 2015 through 2018, including \$2 million incurred during the quarter ended March 31, 2018. These advertising amounts were recorded primarily in Franchise and property expenses and were included in the KFC Division segment operating results.

Investment in Grubhub, Inc. ("Grubhub")

On February 7, 2018, certain of our subsidiaries entered into a master services agreement with a subsidiary of Grubhub, the leading online and mobile takeout food-ordering company in the U.S., which is intended to provide dedicated support for the KFC and Taco Bell branded online delivery channels in the U.S. through Grubhub's online ordering platform, logistics and last-mile support for delivery orders, as well as point-of-sale integration to streamline operations. Concurrently with the master services agreement, one of our subsidiaries entered into an investment agreement with Grubhub to invest \$200 million in exchange for approximately 2.8 million shares of Grubhub common stock, subject to customary closing conditions. The terms of the investment agreement constituted a forward contract to purchase Grubhub common stock that represented a derivative and was required to be recorded at fair value, which was \$66 million as of March 31, 2018. As a result, in the quarter ended March 31, 2018 we recognized income of \$66 million related to the mark-to-market of this investment agreement. In April 2018, all necessary regulatory approvals were obtained and the purchase of Grubhub shares was consummated. Shares acquired as part of this purchase are restricted from being transferred until the earlier of the two-year anniversary of closing the investment agreement or 30 days following the termination of our master services agreement with Grubhub. In the quarter ended March 31, 2019 we recognized pre-tax expense of \$20 million related to the mark-to-market of these shares, which includes the depreciation in the market price of Grubhub common stock and valuation adjustments related to the transfer restrictions. Changes in the fair value of our forward contract to purchase shares in Grubhub in 2018 and our investment in Grubhub common stock in 2019 are presented as Investment (income) expense, net within our Condensed Consolidated Statements of Income.

Impact of Adopting New Lease Standards

As discussed in Note 2, we adopted Topic 842 beginning with the quarter ended March 31, 2019, using a modified retrospective method. Topic 842 was applied to all leases existing at, or entered into after, the beginning of 2019. As a result of adopting Topic 842, the following adjustments were made to the Condensed Consolidated Balance Sheet as of the beginning of the quarter ended March 31, 2019:

CONDENSED CONSOLIDATED BALANCE SHEET

	As Reported 12/31/2018	Adjustments	Balances with Adoption of Topic 842 1/1/2019
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 292	\$ —	\$ 292
Accounts and notes receivable, net	561	—	561
Prepaid expenses and other current assets	354	(10)	344
Total Current Assets	<u>1,207</u>	<u>(10)</u>	<u>1,197</u>
Property, plant and equipment, net	1,237	—	1,237
Goodwill	525	—	525
Intangible assets, net	242	—	242
Other assets	724	689	1,413
Deferred income taxes	195	—	195
Total Assets	<u>\$ 4,130</u>	<u>\$ 679</u>	<u>\$ 4,809</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current Liabilities			
Accounts payable and other current liabilities	\$ 911	\$ 76	\$ 987
Income taxes payable	69	—	69
Short-term borrowings	321	—	321
Total Current Liabilities	<u>1,301</u>	<u>76</u>	<u>1,377</u>
Long-term debt	9,751	—	9,751
Other liabilities and deferred credits	1,004	605	1,609
Total Liabilities	<u>12,056</u>	<u>681</u>	<u>12,737</u>
Shareholders' Deficit			
Accumulated deficit	(7,592)	(2)	(7,594)
Accumulated other comprehensive loss	(334)	—	(334)
Total Shareholders' Deficit	<u>(7,926)</u>	<u>(2)</u>	<u>(7,928)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 4,130</u>	<u>\$ 679</u>	<u>\$ 4,809</u>

We recorded lease liabilities within Accounts payable and other current liabilities and Other liabilities and deferred credits of \$83 million and \$661 million, respectively, related to the present value of the remaining operating lease payments. These adjustments were partially offset by reductions to Accounts payable and other current liabilities and Other liabilities and deferred credits of \$7 million and \$56 million, respectively, primarily related to the write offs of liabilities previously recorded to reflect the impact of recognizing rent expense on a straight-line basis when lease payments were escalating under Legacy GAAP. Additionally, lease liabilities recognized upon adoption were offset by the write-off of prepaid rent of \$11 million that was recorded under Legacy GAAP resulting in a decrease within Prepaid expenses and other current assets and Other assets of \$10 million and \$1 million, respectively.

We recorded a corresponding right-of-use asset within Other Assets of \$690 million. This right-of-use asset reflected a \$2 million impairment charge that would have been recorded before adoption of Topic 842 had the right-of-use asset been recognized under Legacy GAAP. A related increase was recorded in Accumulated deficit.

Note 6 - Other (Income) Expense

Other (income) expense primarily includes net foreign exchange (gains) losses and store closure and impairment expenses.

Note 7 - Supplemental Balance Sheet Information

Accounts and Notes Receivable, net

The Company's receivables are primarily generated as a result of ongoing business relationships with our franchisees as a result of franchise and lease agreements. Trade receivables consisting of royalties from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable, net in our Condensed Consolidated Balance Sheets. Accounts and notes receivable, net also includes receivables generated from advertising cooperatives that we consolidate.

	3/31/2019	12/31/2018
Accounts and notes receivable, gross	\$ 584	\$ 592
Allowance for doubtful accounts	(41)	(31)
Accounts and notes receivable, net	<u>\$ 543</u>	<u>\$ 561</u>

Property, Plant and Equipment, net

	3/31/2019	12/31/2018
Property, plant and equipment, gross	\$ 2,338	\$ 2,353
Accumulated depreciation and amortization	(1,126)	(1,116)
Property, plant and equipment, net	<u>\$ 1,212</u>	<u>\$ 1,237</u>

Assets held-for-sale totaled \$24 million as of both March 31, 2019 and December 31, 2018 and are included in Prepaid expenses and other current assets in our Condensed Consolidated Balance Sheets.

Reconciliation of Cash and cash equivalents for Condensed Consolidated Statements of Cash Flows

	3/31/2019	12/31/2018
Cash and cash equivalents as presented in Condensed Consolidated Balance Sheets	\$ 278	\$ 292
Restricted cash included in Prepaid expenses and other current assets ^(a)	170	151
Restricted cash and restricted cash equivalents included in Other assets ^(b)	26	31
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents as presented in Condensed Consolidated Statements of Cash Flows	<u>\$ 474</u>	<u>\$ 474</u>

- (a) Restricted cash within Prepaid expenses and other current assets reflects the cash related to advertising cooperatives that we consolidate that can only be used to settle obligations of the respective cooperatives and Taco Bell Securitization interest reserves.
- (b) Primarily trust accounts related to our self-insurance program.

Note 8 - Income Taxes

	Quarter ended	
	2019	2018
Income tax provision	\$ 37	\$ 76
Effective tax rate	12.3%	15.0%

Our first quarter effective tax rate was lower than prior year primarily due to a larger favorable impact of excess tax benefits associated with share-based compensation than the prior year and lapping a prior year charge related to the mandatory one-time deemed repatriation tax on accumulated foreign earnings resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). These items were partially offset by the unfavorable impact of the global intangible low-taxed income provisions of the Tax Act in the current year and lapping the favorable impact related to prior year refranchising transactions.

Note 9 - Revenue Recognition

Disaggregation of Total Revenues

The following table disaggregates revenue by Concept, for our two most significant markets based on Operating Profit and for all other markets. We believe this disaggregation best reflects the extent to which the nature, amount, timing and uncertainty of our revenues and cash flows are impacted by economic factors.

	Quarter ended 3/31/2019			
	KFC Division	Pizza Hut Division	Taco Bell Division	Total
U.S.				
Company sales	\$ 16	\$ 5	\$ 196	\$ 217
Franchise revenues	38	67	128	233
Property revenues	6	2	10	18
Franchise contributions for advertising and other services	2	74	104	180
China				
Franchise revenues	56	15	—	71
Other				
Company sales	109	6	1	116
Franchise revenues	205	60	6	271
Property revenues	18	1	—	19
Franchise contributions for advertising and other services	116	13	—	129
	<u>\$ 566</u>	<u>\$ 243</u>	<u>\$ 445</u>	<u>\$ 1,254</u>
	Quarter ended 3/31/2018			
	KFC Division	Pizza Hut Division	Taco Bell Division	Total
U.S.				
Company sales	\$ 17	\$ 14	\$ 242	\$ 273
Franchise revenues	38	69	117	224
Property revenues	6	1	5	12
Franchise contributions for advertising and other services	2	65	91	158
China				
Franchise revenues	54	16	—	70
Other				
Company sales	228	10	1	239
Franchise revenues	190	62	6	258
Property revenues	19	1	—	20
Franchise contributions for advertising and other services	104	13	—	117
	<u>\$ 658</u>	<u>\$ 251</u>	<u>\$ 462</u>	<u>\$ 1,371</u>

Contract Liabilities

Our contract liabilities are comprised of unamortized upfront fees received from franchisees. A summary of significant changes to the contract liability balance during 2019 is presented below.

	<u>Deferred Franchise Fees</u>
Balance at December 31, 2018	\$ 414
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(17)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	<u>22</u>
Balance at March 31, 2019	<u>\$ 419</u>

We expect to recognize contract liabilities as revenue over the remaining term of the associated franchise agreement as follows:

Less than 1 year	\$ 61
1 - 2 years	56
2 - 3 years	52
3 - 4 years	48
4 - 5 years	43
Thereafter	<u>159</u>
Total	<u>\$ 419</u>

Note 10 - Reportable Operating Segments

We identify our operating segments based on management responsibility. The following tables summarize Revenues and Operating Profit for each of our reportable operating segments:

	Quarter ended	
	2019	2018
Revenues		
KFC Division	\$ 566	\$ 658
Pizza Hut Division	243	251
Taco Bell Division	445	462
	<u>\$ 1,254</u>	<u>\$ 1,371</u>
	Quarter ended	
	2019	2018
Operating Profit		
KFC Division	\$ 236	\$ 221
Pizza Hut Division	97	88
Taco Bell Division	138	132
Corporate and unallocated G&A expenses	(43)	(44)
Unallocated Franchise and property expenses ^(a)	(1)	(1)
Unallocated Refranchising gain (loss) (See Note 5)	6	156
Unallocated Other income (expense)	—	1
Operating Profit	<u>\$ 433</u>	<u>\$ 553</u>
Investment income (expense), net (See Note 5)	(16)	66
Other pension income (expense) (See Note 11)	(3)	(3)
Interest expense, net	(115)	(107)
Income before income taxes	<u>\$ 299</u>	<u>\$ 509</u>

(a) Represents costs associated with the KFC U.S. Acceleration Agreement and Pizza Hut U.S. Transformation Agreement. See Note 5.

Note 11 - Pension Benefits

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

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

	Quarter ended	
	2019	2018
Service cost	\$ 2	\$ 2
Interest cost	10	9
Expected return on plan assets	(11)	(10)
Amortization of net loss	—	4
Amortization of prior service cost	1	1
Net periodic benefit cost	<u>\$ 2</u>	<u>\$ 6</u>
Additional loss recognized due to settlements ^(a)	\$ 2	\$ 1

- (a) Losses are a result of settlement transactions which exceeded the sum of annual service and interest costs for the applicable plan. These losses were recorded in Other pension (income) expense.

Note 12 - Short-term Borrowings and Long-term Debt

	3/31/2019	12/31/2018
Short-term Borrowings		
Current maturities of long-term debt	\$ 331	\$ 331
Other	17	—
	<u>348</u>	<u>331</u>
Less current portion of debt issuance costs and discounts	(10)	(10)
Short-term borrowings	<u>\$ 338</u>	<u>\$ 321</u>
Long-term Debt		
Securitization Notes	\$ 2,920	\$ 2,928
Subsidiary Senior Unsecured Notes	2,850	2,850
Term Loan A Facility	482	488
Term Loan B Facility	1,950	1,955
YUM Senior Unsecured Notes	1,875	1,875
Finance lease obligations	71	71
	<u>\$ 10,148</u>	<u>\$ 10,167</u>
Less debt issuance costs and discounts	(81)	(85)
Less current maturities of long-term debt	(331)	(331)
Long-term debt	<u>\$ 9,736</u>	<u>\$ 9,751</u>

Details of our short-term borrowings and long-term debt as of December 31, 2018 can be found within our 2018 Form 10-K. Cash paid for interest during the quarters ended March 31, 2019 and 2018 was \$72 million and \$71 million, respectively.

Note 13 - Derivative Instruments

We use derivative instruments to manage certain of our market risks related to fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Swaps

We have entered into interest rate swaps with the objective of reducing our exposure to interest rate risk for a portion of our variable-rate debt interest payments. At both March 31, 2019 and December 31, 2018, our interest rate swaps expiring in March 2021 had notional amounts of \$1.55 billion and our interest rate swaps expiring in December 2025 had notional amounts of \$1.5 billion. These interest rate swaps are designated cash flow hedges as the changes in the future cash flows of the swaps are expected to offset changes in expected future interest payments on the related variable-rate debt. There were no other interest rate swaps outstanding as of March 31, 2019 or December 31, 2018.

Gains or losses on the interest rate swaps are reported as a component of AOCI and reclassified into Interest expense, net in our Condensed Consolidated Statements of Income in the same period or periods during which the related hedged interest payments affect earnings. Through March 31, 2019, the swaps were highly effective cash flow hedges.

Foreign Currency Contracts

We have entered into foreign currency forward and swap contracts with the objective of reducing our exposure to earnings volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany receivables and payables. The notional amount, maturity date, and currency of these contracts match those of the underlying intercompany receivables or payables. Our foreign currency contracts are designated cash flow hedges as the future cash flows of the contracts are expected to offset changes in intercompany receivables and payables due to foreign currency exchange rate fluctuations.

Gains or losses on the foreign currency contracts are reported as a component of AOCI. Amounts are reclassified from AOCI each quarter to offset foreign currency transaction gains or losses recorded within Other (income) expense when the related intercompany receivables and payables affect earnings due to their functional currency remeasurements. Through March 31, 2019, all foreign currency forward and swap contracts related to intercompany receivables and payables were highly effective cash flow hedges.

As of both March 31, 2019 and December 31, 2018, foreign currency forward and swap contracts outstanding related to intercompany receivables and payables had total notional amounts of \$456 million. As of March 31, 2019 these foreign currency forward and swap contracts have durations that expire in 2019 or 2020.

As a result of the use of interest rate swaps and foreign currency contracts, 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 major financial institutions carefully selected based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. At March 31, 2019, all of the counterparties to our interest rate swaps and foreign currency contracts had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

Gains and losses on derivative instruments designated as cash flow hedges recognized in OCI and reclassifications from AOCI into Net Income:

	Quarter ended			
	Gains/(Losses) Recognized in OCI		(Gains)/Losses Reclassified from AOCI into Net Income	
	2019	2018	2019	2018
Interest rate swaps	\$ (27)	\$ 18	\$ (5)	\$ (1)
Foreign currency contracts	11	(16)	(10)	12
Income tax benefit/(expense)	5	(4)	3	—

As of March 31, 2019, the estimated net gain included in AOCI related to our cash flow hedges that will be reclassified into earnings in the next 12 months is \$22 million, based on current LIBOR interest rates.

See Note 14 for the fair value of our derivative assets and liabilities.

Note 14 - Fair Value Disclosures

As of March 31, 2019, the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short-term borrowings 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 following table presents the carrying value and estimated fair value of the Company's debt obligations:

	3/31/2019		12/31/2018	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Securitization Notes ^(a)	\$ 2,920	\$ 3,014	\$ 2,928	\$ 2,967
Subsidiary Senior Unsecured Notes ^(b)	2,850	2,917	2,850	2,733
Term Loan A Facility ^(b)	482	481	488	479
Term Loan B Facility ^(b)	1,950	1,951	1,955	1,915
YUM Senior Unsecured Notes ^(b)	1,875	1,876	1,875	1,798

(a) We estimated the fair value of the Securitization Notes by obtaining broker quotes from two separate brokerage firms that are knowledgeable about the Company's Securitization Notes and, at times, trade these notes. The markets in which the Securitization Notes trade are not considered active markets.

(b) We estimated the fair value of the YUM and Subsidiary Senior Unsecured Notes, Term Loan A Facility, and Term Loan B Facility using market quotes and calculations based on market rates.

Recurring Fair Value Measurements

The Company has interest rate swaps, foreign currency contracts, an investment in Grubhub common stock and other investments, all of which are required to be measured at fair value on a recurring basis (See Note 13 for discussion regarding derivative instruments and Note 5 for discussion regarding our investment in Grubhub common stock). 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.

	Level	Fair Value		Condensed Consolidated Balance Sheet
		3/31/2019	12/31/2018	
Interest Rate Swaps - Asset	2	\$ 19	\$ 21	Prepaid expenses and other current assets
Interest Rate Swaps - Asset	2	19	29	Other assets
Interest Rate Swaps - Liability	2	43	23	Other liabilities and deferred credits
Foreign Currency Contracts - Asset	2	4	5	Prepaid expenses and other current assets
Foreign Currency Contracts - Liability	2	11	24	Other liabilities and deferred credits
Investment in Grubhub Common Stock	1	194	214	Other assets
Other Investments	1	31	27	Other assets

The fair value of the Company's foreign currency contracts 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 on observable inputs. The fair value of the investment in Grubhub common stock was determined primarily based on closing market prices for the shares. The other investments include investments in mutual funds, which are used to offset fluctuations for a portion of our deferred compensation liabilities. The other investments' fair value is determined based on the closing market prices of the respective mutual funds as of March 31, 2019 and December 31, 2018.

Note 15 - Contingencies

Lease Guarantees

As a result of having assigned our interest in obligations under real estate leases as a condition to the franchising of certain Company-owned restaurants, and guaranteeing certain other leases, we are frequently secondarily liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of March 31, 2019, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately \$500 million. The present value of these potential payments discounted at our pre-tax cost of debt at March 31, 2019, was approximately \$425 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 as of March 31, 2019 was not material.

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.

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

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

Introduction and Overview

The following Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the unaudited Condensed Consolidated Financial Statements ("Financial Statements"), the Forward-Looking Statements and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 ("2018 Form 10-K"). 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.

Yum! Brands, Inc. ("Company", "YUM", "we", "us" or "our") franchises or operates a worldwide system of over 48,000 restaurants in more than 145 countries and territories, primarily under the concepts of KFC, Pizza Hut and Taco Bell (collectively, the "Concepts"). These three Concepts are global leaders of the chicken, pizza and Mexican-style food categories, respectively. Of the over 48,000 restaurants, 98% are operated by franchisees.

YUM currently consists of three reporting segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept

On October 11, 2016, we announced our strategic transformation plans to drive global expansion of our KFC, Pizza Hut and Taco Bell brands ("YUM's Strategic Transformation Initiatives") following the separation of our business in China. Major features of the Company's transformation and growth strategy involve being more focused, franchised and efficient. YUM's Strategic Transformation Initiatives below represent the continuation of YUM's transformation of its operating model and capital structure.

- **More Focused.** Four growth drivers form the basis of YUM's strategic plans and repeatable business model to accelerate same-store sales growth and net-new restaurant development at KFC, Pizza Hut and Taco Bell around the world over the long term. The Company is focused on becoming best-in-class in:
 - Building Relevant, Easy and Distinctive Brands, by increasing investment in consumer insights, core product innovation, digital excellence and initiatives that strengthen the quality, convenience and appeal of the customer experience;
 - Developing Unmatched Franchise Operating Capability, strengthening how we equip and recruit the best restaurant operators to deliver great customer experiences, and build and protect our brands;
 - Driving Bold Restaurant Development through partnerships with growth-minded franchisees who can expand and penetrate markets with modern restaurants, strong economics and value; and
 - Growing Unrivaled Culture and Talent to strengthen the customer experience and franchise success with best-in-class people capability and culture.
- **More Franchised.** YUM successfully increased franchise restaurant ownership to its 98% target as of the end of 2018.
- **More Efficient.** The Company is revamping its financial profile, improving the efficiency of its organization and cost structure globally, by:
 - Reducing annual capital expenditures associated with Company-operated restaurant maintenance and other projects to less than \$100 million and funding any additional capital for any new Company units through the refranchising of existing Company units. Capital spending in 2019 net of refranchising proceeds is expected to approximate \$125 million as we fund additional strategic investments in technology that we believe will generate faster growth and incremental value for the Company;
 - Lowering General and administrative expenses ("G&A") to 1.7% of system sales in 2019; and
 - Maintaining an optimized capital structure of ~5.0x Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") leverage.

From 2017 through 2019, we intend to return \$6.5 - \$7.0 billion to shareholders through share repurchases and cash dividends. We intend to fund these shareholder returns through a combination of refranchising proceeds, free cash flow generation and maintenance of our five times EBITDA leverage. Refer to the Liquidity and Capital Resources section of this MD&A for additional details.

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:

- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the YUM system for one year or more. In 2019 we also included in our prior year base the sales of stores that were added as a result of the Telepizza strategic alliance and that have been open for one year or more. See description of the Telepizza strategic alliance within this MD&A.
- Net new units represents new unit openings, offset by store closures.
- 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.

In addition to the results provided in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), the Company provides the following non-GAAP measurements:

- System sales and System sales excluding the impacts of foreign currency translation ("FX"). System sales include the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants. Sales of franchise restaurants typically generate ongoing franchise and license fees for the Company at a rate of 3% to 6% of sales. Franchise restaurant sales are not included in Company sales on the Condensed Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe System sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates our primary revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Diluted Earnings Per Share excluding Special Items (as defined below);
- Effective Tax Rate excluding Special Items;
- Core Operating Profit. Core Operating Profit excludes Special Items and FX and we use Core Operating Profit for the purposes of evaluating performance internally.

These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measurements provide additional information to investors to facilitate the comparison of past and present operations.

Special Items are not included in any of our Division segment results as the Company does not believe they are indicative of our ongoing operations due to their size and/or nature. Our chief operating decision maker does not consider the impact of Special Items when assessing segment performance.

Certain non-GAAP measurements are presented excluding the impact of FX. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the FX impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

Results of Operations

Summary

All comparisons within this summary are versus the same period a year ago.

For the quarter ended March 31, 2019, GAAP diluted EPS decreased 35% to \$0.83 per share, and diluted EPS, excluding Special Items, decreased 8% to \$0.82 per share. Both comparisons were negatively impacted by the year-over-year impact of changes in the fair value of our investment in Grubhub, Inc. ("Grubhub") of \$0.21 per share, as the current year impact was a negative \$0.05 impact to EPS while the prior year impact was a positive \$0.16 impact to EPS. Special Items also negatively impacted GAAP diluted EPS comparisons, adding \$0.37 in the quarter ended March 31, 2018 as opposed to \$0.01 in the quarter ended March 31, 2019.

Quarterly Financial highlights:

	% Change				
	System Sales, ex FX	Same-Store Sales	Net New Units	GAAP Operating Profit	Core Operating Profit
KFC Division	+9	+5	+6	+7	+14
Pizza Hut Division	+7	Even	+10	+11	+14
Taco Bell Division	+7	+4	+3	+5	+5
Worldwide	+8	+4	+7	(22)	+12

Additionally:

- Adjusting the prior year base to include units added as a result of our fourth quarter 2018 strategic alliance with Telepizza, system sales growth excluding foreign currency translation would have been 7% Worldwide and 1% for the Pizza Hut Division.
- We opened 310 net new units for the quarter. On a year-over-year basis, which takes into account the strategic alliance with Telepizza in the fourth quarter of 2018, net new unit growth was 7%.
- During the quarter, we repurchased 1.1 million shares totaling \$106 million at an average price of \$94.
- Foreign currency translation impacted Divisional Operating Profit unfavorably for the quarter by \$19 million.

Worldwide

GAAP Results

	Quarter ended		
	2019	2018	% B/(W)
Company sales	\$ 333	\$ 512	(35)
Franchise and property revenues	612	584	5
Franchise contributions for advertising and other services	309	275	12
Total revenues	<u>\$ 1,254</u>	<u>\$ 1,371</u>	(9)
Restaurant profit	\$ 61	\$ 74	(17)
Restaurant margin %	18.4%	14.4%	4.0 ppts.
G&A expenses	\$ 211	\$ 219	3
Franchise and property expenses	43	47	6
Franchise advertising and other services expense	301	272	(11)
Refranchising (gain) loss	(6)	(156)	(96)
Other (income) expense	—	(2)	NM
Operating Profit	<u>\$ 433</u>	<u>\$ 553</u>	(22)
Investment (income) expense, net	\$ 16	\$ (66)	NM
Other pension (income) expense	3	3	20
Interest expense, net	115	107	(8)
Income tax provision	37	76	52
Net Income	<u>\$ 262</u>	<u>\$ 433</u>	(39)
Diluted EPS ^(a)	<u>\$ 0.83</u>	<u>\$ 1.27</u>	(35)
Effective tax rate	12.3%	15.0%	2.7 ppts.

(a) See Note 3 for the number of shares used in this calculation.

Performance Metrics

Unit Count	3/31/2019	3/31/2018	% Increase (Decrease)
Franchise	47,600	43,978	8
Company-owned	857	1,345	(36)
	<u>48,457</u>	<u>45,323</u>	7 ^(a)

(a) Includes units added as a result of our fourth quarter 2018 strategic alliance with Telepizza.

	Quarter ended	
	2019	2018
Same-store Sales Growth %	4	1

Non-GAAP Items

Non-GAAP Items, along with the reconciliation to the most comparable GAAP financial measure, as presented below.

	Quarter ended	
	2019	2018
System Sales Growth %, reported ^(a)	4	9
System Sales Growth %, excluding FX ^(a)	8	4
Core Operating Profit % Growth	12	Even
Diluted EPS Growth (Decline) %, excluding Special Items	(8)	38
Effective Tax Rate excluding Special Items	12.2%	14.4%

(a) Adjusting the prior year base to include Telepizza, System Sales Growth would have been 3% on a reported basis and 7% excluding FX.

Detail of Special Items	Quarter ended	
	2019	2018
Refranchising gain (loss) (See Note 5)	\$ 6	\$ 156
Other Special Items Expense	(2)	(3)
Special Items Income - Operating Profit	4	153
Tax Expense on Special Items ^(a)	(1)	(19)
Tax Expense - U.S. Tax Act ^(b)	—	(6)
Special Items Income, net of tax	\$ 3	\$ 128
Average diluted shares outstanding	<u>315</u>	<u>340</u>
Special Items diluted EPS	<u>\$ 0.01</u>	<u>\$ 0.37</u>

Reconciliation of GAAP Operating Profit to Core Operating Profit

Consolidated

GAAP Operating Profit	\$ 433	\$ 553
Special Items Income	4	153
Foreign Currency Impact on Divisional Operating Profit ^(c)	(19)	N/A
Core Operating Profit	<u>\$ 448</u>	<u>\$ 400</u>

KFC Division

GAAP Operating Profit	\$ 236	\$ 221
Foreign Currency Impact on Divisional Operating Profit ^(c)	(16)	N/A
Core Operating Profit	<u>\$ 252</u>	<u>\$ 221</u>

Pizza Hut Division

GAAP Operating Profit	\$ 97	\$ 88
Foreign Currency Impact on Divisional Operating Profit ^(c)	(3)	N/A
Core Operating Profit	<u>\$ 100</u>	<u>\$ 88</u>

Taco Bell Division

GAAP Operating Profit	\$ 138	\$ 132
Foreign Currency Impact on Divisional Operating Profit ^(c)	—	N/A
Core Operating Profit	<u>\$ 138</u>	<u>\$ 132</u>

Reconciliation of Diluted EPS to Diluted EPS excluding Special Items

Diluted EPS	\$ 0.83	\$ 1.27
Special Items Diluted EPS	0.01	0.37
Diluted EPS excluding Special Items	<u>\$ 0.82</u>	<u>\$ 0.90</u>

Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate excluding Special Items

GAAP Effective Tax Rate	12.3%	15.0%
Impact on Tax Rate as a result of Special Items ^{(a)(b)}	0.1%	0.6%
Effective Tax Rate excluding Special Items	<u>12.2%</u>	<u>14.4%</u>

Reconciliation of GAAP Company sales to System sales

Consolidated

GAAP Company sales ^(d)	\$ 333	\$ 512
Franchise sales	11,851	11,196
System sales	12,184	11,708
Foreign Currency Impact on System sales ^(e)	(491)	N/A
System sales, excluding FX	<u>\$ 12,675</u>	<u>\$ 11,708</u>

KFC Division

GAAP Company sales ^(d)	\$ 125	\$ 245
Franchise sales	6,422	6,084
System sales	6,547	6,329
Foreign Currency Impact on System sales ^(e)	(383)	N/A
System sales, excluding FX	<u>\$ 6,930</u>	<u>\$ 6,329</u>

Pizza Hut Division

GAAP Company sales ^(d)	\$ 11	\$ 24
Franchise sales	3,120	3,008
System sales	3,131	3,032
Foreign Currency Impact on System sales ^(e)	(103)	N/A
System sales, excluding FX	<u>\$ 3,234</u>	<u>\$ 3,032</u>

Taco Bell Division

GAAP Company sales ^(d)	\$ 197	\$ 243
Franchise sales	2,309	2,104
System sales	2,506	2,347
Foreign Currency Impact on System sales ^(e)	(5)	N/A
System sales, excluding FX	<u>\$ 2,511</u>	<u>\$ 2,347</u>

- (a) Tax Expense on Special Items was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual components within Special Items.
- (b) During the quarter ended March 31, 2018, we recorded a \$16 million increase related to our provisional tax expense recorded in the fourth quarter of 2017 associated with the Tax Cuts and Jobs Act of 2017 ("Tax Act") that was reported as a Special Item. We also recorded a Special Items tax benefit of \$10 million in the quarter ended March 31, 2018 related to 2018 U.S. foreign tax credits that became realizable directly as a result of the impact of deemed repatriation tax expense associated with the Tax Act.
- (c) The foreign currency impact on reported Operating Profit is presented in relation only to the immediately preceding year presented. When determining applicable Core Operating Profit growth percentages, the Core Operating Profit for the current year should be compared to the prior year GAAP Operating Profit adjusted only for any prior year Special Items Income (Expense).
- (d) Company sales represents sales from our Company-operated stores as presented on our Condensed Consolidated Statements of Income.
- (e) The foreign currency impact on System sales is presented in relation only to the immediately preceding year presented. When determining applicable System sales growth percentages, the System sales excluding FX for the current year should be compared to the prior year System sales.

Items Impacting Current Quarter and Expected to Impact Future Results

Investment in Grubhub

For the quarters ended March 31, 2019 and 2018 we recognized pre-tax expense of \$20 million and pre-tax income of \$66 million, respectively, related to changes in fair value in our investment in Grubhub. See Note 5 for further discussion of our investment in Grubhub.

Telepizza Strategic Alliance

On December 30, 2018, the Company consummated a strategic alliance with Telepizza Group S.A. ("Telepizza"), the largest non U.S.-based pizza delivery company in the world, to be the master franchisee of Pizza Hut in Latin America and portions of Europe. The key terms of the alliance are set forth below:

- In Spain and Portugal Telepizza will continue operating the Telepizza brand and will oversee franchisees operating Pizza Hut branded restaurants
- In Latin America (excluding Brazil), the Caribbean and Switzerland, Telepizza will progressively convert its existing restaurants to the Pizza Hut brand and oversee franchisees operating Pizza Hut branded restaurants
- Telepizza will manage supply chain logistics for the entire master franchise territory and will become an authorized supplier of Pizza Hut branded restaurants

- Across the regions covered by the master franchise agreement, Telepizza will target opening at least 1,300 new units over the next ten years and 2,550 units in total over 20 years

As a result of the alliance we added 1,305 Telepizza units to our Pizza Hut Division unit count. In total approximately 2,300 Pizza Hut and Telepizza units are subject to the master franchise agreement as of March 31, 2019. Of these 2,300 units, we anticipate between 100 and 150 may close due to overlap in a particular trade area.

Based upon our ongoing and active maintenance of the Pizza Hut intellectual property as well as Telepizza's active involvement in supply chain management and their role as a master franchisee, both parties are exposed to significant risks and rewards depending on the commercial success of the alliance. As a result, the alliance has been identified as a collaborative arrangement and upon consummation of the alliance no amounts were recorded in our Consolidated Financial Statements (other than insignificant success fees that were paid to third-party advisors). Subsequent to consummation of the deal, for all Pizza Hut restaurants that are part of the alliance, we are receiving a continuing fee of 3.5% of restaurant sales. Likewise, for most Telepizza restaurants that are part of the alliance we are receiving an alliance fee of 3.5% of restaurant sales. These fees are being recorded as Franchise and property revenues within our Condensed Consolidated Statements of Income when the related sales occur, consistent with our recognition of continuing fees for all other restaurants subject to our franchise agreements. These fees are reduced by a sales-based credit that decreases over time and, potentially, certain incentive payments if development or conversion targets are met. Previously, the existing Pizza Hut restaurants that are now subject to the master franchise agreement with Telepizza generally paid a continuing fee of 6% of restaurant sales consistent with our standard International franchise agreement terms. The impact to Operating Profit for the quarter ended March 31, 2019 as a result of the strategic alliance was not significant. System Sales growth excluding foreign currency for the quarter ended March 31, 2019 was approximately 1 percentage point higher Worldwide and approximately 6 percentage points higher for the Pizza Hut Division as a result of the Telepizza strategic alliance. Additionally, net new unit growth for the quarter ended March 31, 2019 was approximately 3 percentage points higher Worldwide and approximately 8 percentage points higher for the Pizza Hut Division as a result of the alliance.

KFC United Kingdom ("UK") Supply Availability Issues

On February 14, 2018, we and our franchisees transitioned to a new distributor for the products supplied to our approximately 900 KFCs in the United Kingdom and Ireland (those restaurants accounted for approximately 3% of YUM's global system sales in the year ended December 31, 2018). In connection with this transition, certain of the restaurants experienced supply availability issues which resulted in store closures or stores operating under a limited menu. Beginning mid-May 2018, all restaurants opened for business, offering their full menus, with advertising beginning at the end of May. For the first quarter of 2018, we estimated that Core Operating Profit growth was negatively impacted by 5 percentage points for our KFC Division and 3 percentage points for YUM as a result of these issues. We estimated YUM's same-store sales growth would have been 2% and KFC Division same-store sales growth would have been 3% in the first quarter of 2018 absent the supply disruption. On a full-year basis in 2018, we estimated the negative impact to Core Operating Profit growth was 2 percentage points for KFC Division and 1 percentage point for YUM, respectively, and the negative impact to same-store sales growth was 50 basis points for KFC Division and 25 basis points for YUM, respectively.

KFC Division

The KFC Division has 22,886 units, 82% of which are located outside the U.S. Additionally, 99% of the KFC Division units were operated by franchisees as of March 31, 2019.

	Quarter ended			
	2019	2018	% B/(W)	
			Reported	Ex FX
System Sales	\$ 6,547	\$ 6,329	3	9
Same-Store Sales Growth %	5	2	N/A	N/A
Company sales	\$ 125	\$ 245	(49)	(44)
Franchise and property revenues	323	307	5	12
Franchise contributions for advertising and other services	118	106	11	20
Total revenues	<u>\$ 566</u>	<u>\$ 658</u>	(14)	(8)
Restaurant profit	\$ 17	\$ 25	(31)	(25)
Restaurant margin %	14.1%	10.5%	3.6 ppts.	3.6 ppts.
G&A expenses	\$ 78	\$ 85	8	4
Franchise and property expenses	28	29	2	(5)
Franchise advertising and other services expense	116	104	(11)	(20)
Operating Profit	\$ 236	\$ 221	7	14
<u>Unit Count</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>% Increase (Decrease)</u>	
Franchise	22,559	21,019	7	
Company-owned	327	625	(48)	
Total	<u>22,886</u>	<u>21,644</u>	6	

Company sales and Restaurant margin percentage

The quarterly decrease in Company sales, excluding the impact of foreign currency translation, was driven by refranchising offset by company same-store sales growth of 9%, including lapping the prior year impact of supply interruptions in our KFC UK business.

The quarterly increase in Restaurant margin percentage was driven by same-store sales growth, including lapping the prior year impact of supply interruptions in our KFC UK business and refranchising.

Franchise and property revenues

The quarterly increase in Franchise and property revenues, excluding the impact of foreign currency translation, was driven by international net new unit growth, franchise same-store sales growth of 5%, including the impact of lapping the prior year impact of supply interruptions in our KFC UK business, and refranchising.

G&A

The quarterly decrease in G&A expenses, excluding the impact of foreign currency translation, was driven by the positive impact of YUM's Strategic Transformation Initiatives, including reductions in G&A directly attributable to refranchising.

Operating Profit

The quarterly increase in Operating Profit, excluding the impact of foreign currency translation, was driven by net new unit growth, lapping the prior year impact of supply interruptions in our KFC UK business, same-store sales growth and lower G&A.

Pizza Hut Division

The Pizza Hut Division has 18,466 units, 60% of which are located outside the U.S. The Pizza Hut Division uses multiple distribution channels including delivery, dine-in and express (e.g. airports) and includes units operating under both the Pizza Hut and Telepizza brands. Additionally, over 99% of the Pizza Hut Division units were operated by franchisees as of March 31, 2019.

	Quarter ended			
	2019	2018	% B/(W)	
			Reported	Ex FX
System Sales	\$ 3,131	\$ 3,032	3	7
Same-Store Sales Growth (Decline) %	Even	1	N/A	N/A
Company sales	\$ 11	\$ 24	(55)	(53)
Franchise and property revenues	145	149	(3)	Even
Franchise contributions for advertising and other services	87	78	12	13
Total revenues	<u>\$ 243</u>	<u>\$ 251</u>	(3)	(1)
Restaurant profit	\$ —	\$ —	NM	NM
Restaurant margin %	3.9%	(0.1)%	4.0 ppts.	3.8 ppts.
G&A expenses	\$ 47	\$ 50	5	4
Franchise and property expenses	5	11	53	52
Franchise advertising and other services expense	83	78	(7)	(8)
Operating Profit	\$ 97	\$ 88	11	14
Unit Count	3/31/2019	3/31/2018	% Increase (Decrease)	
Franchise	18,409	16,681	10	
Company-owned	57	115	(50)	
	<u>18,466</u>	<u>16,796</u>	10	

Company sales

The quarterly decrease in Company sales, excluding the impact of foreign currency translation, was driven by refranchising.

Franchise and property revenues

Franchise and property revenues, excluding the impact of foreign currency translation, for the quarter were even with prior year as franchise same-store sales were flat.

G&A

The quarterly decrease in G&A, excluding the impact of foreign currency translation, was driven by the positive impact of YUM's Strategic Transformation Initiatives, including reductions in G&A directly attributable to refranchising.

Operating Profit

The quarterly increase in Operating Profit, excluding the impact of foreign currency translation, was driven by profits generated from our ownership of QuikOrder, LLC ("QuikOrder"), lower advertising costs associated with the Pizza Hut Transformation Agreement (See Note 5), and net new unit growth. We acquired QuikOrder in December 2018, which has been a provider of online ordering software and services to the Company and franchise restaurants of our Pizza Hut U.S. business for nearly two decades.

Taco Bell Division

The Taco Bell Division has 7,105 units, the vast majority of which are in the U.S. The Company owned 7% of the Taco Bell units in the U.S. as of March 31, 2019.

	Quarter ended			
	2019	2018	% B/(W)	
			Reported	Ex FX
System Sales	\$ 2,506	\$ 2,347	7	7
Same-Store Sales Growth %	4	1	N/A	N/A
Company sales	\$ 197	\$ 243	(19)	(19)
Franchise and property revenues	144	128	12	13
Franchise contributions for advertising and other services	104	91	14	14
Total revenues	<u>\$ 445</u>	<u>\$ 462</u>	(4)	(4)
Restaurant profit	\$ 44	\$ 49	(9)	(9)
Restaurant margin %	22.0%	19.6%	2.4 ppts.	2.4 ppts.
G&A expenses	\$ 43	\$ 40	(8)	(9)
Franchise and property expenses	9	6	(53)	(54)
Franchise advertising and other services expense	102	90	(13)	(13)
Operating Profit	\$ 138	\$ 132	5	5
Unit Count	3/31/2019	3/31/2018	% Increase (Decrease)	
Franchise	6,632	6,278	6	
Company-owned	473	605	(22)	
	<u>7,105</u>	<u>6,883</u>	3	

Company sales and Restaurant margin percentage

The quarterly decrease in Company sales was driven by refranchising offset by company same-store sales growth of 4% and net new unit growth.

The quarterly increase in Restaurant margin percentage was driven by company same-store sales growth of 4%.

Franchise and property revenues

The quarterly increase in Franchise and property revenues was driven by refranchising, franchise same-store sales growth of 4% and net new unit growth.

G&A

The quarterly increase in G&A, excluding the impact of foreign currency translation, was driven by the unfavorable impact of lapping prior year forfeitures related to share based compensation awards.

Operating Profit

The quarterly increase in Operating Profit, excluding the impact of foreign currency translation, was driven by same-store sales growth and net new unit growth, partially offset by refranchising and higher G&A.

Corporate & Unallocated

(Expense) / Income	Quarter ended		
	2019	2018	% B/(W)
Corporate and unallocated G&A	\$ (43)	\$ (44)	2
Unallocated Franchise and property expenses	(1)	(1)	(30)
Refranchising gain (loss) (See Note 5)	6	156	(96)
Unallocated Other income (expense)	—	1	NM
Investment income (expense), net (See Note 5)	(16)	66	NM
Other pension income (expense) (See Note 11)	(3)	(3)	20
Interest expense, net	(115)	(107)	(8)
Income tax provision (See Note 8)	(37)	(76)	52
Effective tax rate (See Note 8)	12.3%	15.0%	2.7 ppts.

Interest expense, net

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

Consolidated Cash Flows

Net cash provided by operating activities was \$300 million in 2019 versus \$189 million in 2018. The increase was largely driven by an increase in Operating profit before Special Items, a decrease in income tax payments and lower compensation payments.

Net cash used in investing activities was \$34 million in 2019 versus net cash provided by investing activities of \$164 million in 2018. The change was primarily driven by lower refranchising proceeds in the current year.

Net cash used in financing activities was \$278 million in 2019 versus \$976 million in 2018. The decrease was primarily driven by lower share repurchases and lower net debt repayments in the current year.

Consolidated Financial Condition

Our Condensed Consolidated Balance Sheet was impacted by the adoption of Topic 842 (See Note 2).

Liquidity and Capital Resources

In October 2016, we announced YUM's Strategic Transformation Initiatives to drive global expansion of the KFC, Pizza Hut and Taco Bell brands following the separation of our China business on October 31, 2016. As part of this transformation we announced our intention to own less than 1,000 stores by the end of 2018, which we achieved in December 2018. Additionally, we announced our intention to improve our efficiency by lowering G&A to 1.7% of system sales. We also intend to reduce capital spending associated with Company-operated restaurant maintenance and other projects to less than \$100 million and fund capital for any new units to be operated by the Company through the refranchising of existing company units. Capital spending in 2019 net of refranchising proceeds is expected to approximate \$125 million as we fund additional strategic investments in technology that we believe will generate faster growth and incremental value for the Company.

From 2017 through the first quarter of 2019, we returned a cumulative \$5.5 billion to shareholders through share repurchases and cash dividends towards our commitment to return between \$6.5 and \$7.0 billion from 2017 to 2019. We are funding these shareholder returns through a combination of refranchising proceeds, free cash flow generation and maintenance of our five times EBITDA leverage. We generated total gross refranchising proceeds of \$2.8 billion in connection with our initiative to increase franchise ownership to 98%, which we achieved in December 2018.

Our primary sources of liquidity are cash on hand, cash generated by operations and our revolving facilities. We have historically generated substantial cash flows from the operations of our Company-owned stores and from our extensive franchise operations, which require a limited YUM investment. Our annual operating cash flows have historically been in excess of \$1 billion. Decreases in operating cash flows from the operation of fewer Company-owned stores due to refranchising have been offset, and are expected to continue to be offset, with savings generated from decreased capital investment and G&A required to support company operations.

To the extent operating cash flows plus other sources of cash such as refranchising proceeds do not cover our anticipated cash needs, we maintain a revolving credit facility with total capacity of \$1 billion that was undrawn as of March 31, 2019.

Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Our royalty receivables from franchisees are generally due within 30 days of the period in which the related sales occur and Company sales are paid in cash or by credit card (which is quickly converted into cash). Substantial amounts of cash received have historically been either returned to shareholders or invested in new restaurant assets which are non-current in nature. As part of our working capital strategy we negotiate favorable credit terms with vendors and, as a result, our on-hand inventory turns faster than the related short-term liabilities. Accordingly, it is not unusual for current liabilities to exceed current assets. We believe such a deficit has no significant impact on our liquidity or operations.

Debt Instruments

As of March 31, 2019, our Long-term debt is comprised primarily of borrowings under our Securitization Notes, the Credit Agreement, Subsidiary Senior Unsecured Notes and YUM Senior Unsecured Notes. See Note 12 for additional details. The following table summarizes the future maturities of our outstanding long-term debt, excluding finance leases, as of March 31, 2019.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2037	2043	Total
Securitization Notes	\$ 22	\$ 29	\$ 29	\$ 29	\$ 1,281	\$ 16	\$ 16	\$ 921	\$ 6	\$ 571			\$ 2,920
Credit Agreement	34	51	76	395	20	20	1,836						2,432
Subsidiary Senior Unsecured Notes						1,050		1,050	750				2,850
YUM Senior Unsecured Notes	250	350	350		325						325	275	1,875
Total	\$ 306	\$ 430	\$ 455	\$ 424	\$ 1,626	\$ 1,086	\$ 1,852	\$ 1,971	\$ 756	\$ 571	\$ 325	\$ 275	\$ 10,077

New Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued a standard that requires measurement and recognition of expected versus incurred credit losses for financial assets held. The standard is effective for the Company in our first quarter of fiscal 2020. We are currently evaluating the impact the adoption of this standard will have on our Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes during the quarter ended March 31, 2019 to the disclosures made in Item 7A of the Company's 2018 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control

As of January 1, 2019, we implemented ASC 842, Leases ("Topic 842"). The Company has designed and implemented new internal controls related to the recognition, measurement and disclosure of the Company's leases under Topic 842. There have been no other changes in the Company's internal control over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Forward-Looking Statements

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as "expect," "expectation," "believe," "anticipate," "may," "could," "intend," "belief," "plan," "estimate," "target," "predict," "likely," "seek," "project," "model," "ongoing," "will," "should," "forecast," "outlook" or similar terminology. Forward-looking statements are based on our current expectations, estimates, assumptions and/or projections, our perception of historical trends and current conditions, as well as other factors that we believe are appropriate and reasonable under the circumstances. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. There can be no assurance that our expectations, estimates, assumptions and/or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include (i) the factors described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2 of this report, (ii) any risks and uncertainties described in the Risk Factors included in Part II, Item 1A of this report, (iii) the factors described in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Form 10-K for the year ended December 31, 2018 and (iv) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of our Form 10-K for the year ended December 31, 2018. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We are not undertaking to update any of these statements.

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of YUM! Brands, Inc. and Subsidiaries (YUM) as of March 31, 2019, the related condensed consolidated statements of income, comprehensive income, cash flows, and shareholders' deficit for the quarters ended March 31, 2019 and 2018, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of YUM as of December 31, 2018, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' deficit for the year then ended (not presented herein); and in our report dated February 20, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of YUM's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to YUM in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

/s/ KPMG LLP

Louisville, KY
May 7, 2019

PART II – OTHER INFORMATION AND SIGNATURES

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 15 to the Company's Condensed Consolidated Financial Statements set forth in Part I of this report.

Item 1A. Risk Factors

We face a variety of risks that are inherent in our business and our industry, including operational, legal, regulatory and product risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. There have been no material changes from the risk factors disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

The following table provides information as of March 31, 2019 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)
1/1/19-1/31/19	392	\$91.14	392	\$1,070
2/1/19-2/28/19	394	\$94.02	394	\$1,033
3/1/19-3/31/19	341	\$97.35	341	\$1,000
Total	<u>1,127</u>	\$94.02	<u>1,127</u>	\$1,000

Item 6. Exhibits

(a) Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.11.3†	Form of YUM Long Term Incentive Plan Global YUM! Non-Qualified Stock Option Agreement (2019)
10.13.3†	Form of YUM Long Term Incentive Plan Global YUM! Stock Appreciation Rights Agreement (2019)
10.20†	Form of YUM Long Term Incentive Plan YUM! Global Restricted Stock Unit Agreement (2019)
15	Letter from KPMG LLP regarding Unaudited Interim Financial Information (Acknowledgement of Independent Registered Public Accounting Firm)
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.
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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

† Indicates a compensatory plan.

SIGNATURES

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

YUM! BRANDS, INC.

(Registrant)

Date: May 7, 2019

/s/ David E. Russell

Senior Vice President, Finance and Corporate Controller
(Principal Accounting Officer)

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Section 2: EX-10.20 (EXHIBIT 10.20)

YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN

FORM OF GLOBAL RESTRICTED STOCK UNIT AGREEMENT

Grant Date: _____, 20__
Grantee: Name
Aggregate Number of Units Subject to Award: xxx
Vesting Schedule: 100% on the 3rd year anniversary of the Grant Date

This **GLOBAL RESTRICTED STOCK UNIT AGREEMENT** ("Agreement") is made as of ___ day of _____, 20__ between **YUM! BRANDS, INC.**, a North Carolina corporation ("YUM!"), and [insert] ("Participant").

1. **Award.**

(a) **Restricted Stock Units.** Pursuant to the YUM! Brands, Inc. Long Term Incentive Plan (the "Plan"), Participant is hereby awarded the aggregate number of restricted stock units set forth above evidencing the right to receive an equivalent number of shares of Stock, subject to the conditions of the Plan and this Agreement ("Restricted Stock Units").

(b) **Plan Incorporated.** Participant acknowledges receipt of a copy of the Summary Plan Description, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan and the Summary Plan Description, including future amendments thereto, if any, which Plan and Summary Plan Description are incorporated herein by reference as a part of this Agreement. Participant may make a written request for a copy of the Plan at any time. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units.** Participant hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

(a) **Assignment of Restricted Stock Units Prohibited.** The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, except by will or the applicable laws of inheritance.

(b) **Vesting**. Except as otherwise provided herein, as long as a separation from service from YUM!, its divisions and its Subsidiaries (collectively the “Company”) does not occur prior to the three year anniversary of the Grant Date (“Vesting Date”), then Participant shall become vested in all Restricted Stock Units credited to Participant under this Agreement on such Vesting Date and shares of Stock shall be issued to him or her as described in subparagraph (f) below.

(c) **Termination of Service**. In the event Participant’s service with the Company is terminated either (i) voluntarily by Participant (other than as a result of Retirement or a Special Termination, each as defined below), or (ii) involuntarily by the Company or for cause (as

determined by YUM! or the employing Subsidiary in its sole discretion), Participant shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested at the time of separation from service. In the event of termination of Participant's service with the Company prior to the Vesting Date for any other reason, including but not limited to, death, Retirement, or involuntary termination by the Company other than for cause, including without limitation, as a result of (i) a disposition (or similar transaction) with respect to an identifiable Company business or segment ("Business"), and in accordance with the terms of the transaction, Participant and a substantial portion of the other employees of the Business continue in employment with such Business or commence employment with its acquiror, (ii) the elimination of Participant's position within the Company, or (iii) the selection of Participant for work force reduction (whether selection is voluntary or involuntary), then Participant shall become vested in a portion of the Restricted Stock Units which is in proration to Participant's service during the period commencing on the Grant Date and ending on the date of death, Retirement or involuntary termination other than for cause as described in this subparagraph and the date of termination shall be treated as the Vesting Date for purposes of this Agreement and any outstanding, unvested grant shall be vested on a pro-rata basis.

In the event the Participant's employment with the Company is terminated by reason of Special Termination (as defined below), the Restricted Stock Units will vest in accordance with the following: (i) if the Special Termination occurs as a result of a Special Termination as defined in Section 21(b)(i), pro rata on a monthly basis for the vesting period in which the termination occurs such that a portion of the Participant's otherwise unvested Restricted Stock Units for the vesting period in which the termination occurs will vest based on the time the Participant was employed during the vesting period up to the last day of employment (as determined in accordance with Section 7(h) below) and all unvested Restricted Stock Units will be forfeited and (ii) if the Special Termination occurs as a result of a Special Termination as defined in Section 21(b)(ii), in accordance with the vesting schedule otherwise applicable to the Restricted Stock Units as set forth in this Agreement as though employment with the franchisee were not termination with the Company.

If a Change in Control occurs prior to the Vesting Date and prior to Participant's separation from service and if Participant's employment is involuntarily terminated by the Company (other than for cause) on or within two years following the Change in Control, then Participant shall become vested in all unvested Restricted Stock Units credited to Participant under this Agreement on Participant's termination date (to the extent not previously vested in accordance with the terms hereof) and the date of termination shall be treated as the Vesting Date for purposes of this Agreement.

(d) **Dividend Equivalent Units.** Participant will be credited with additional units ("Dividend Equivalent Units") equal to the amount of dividends that would have been paid on the Restricted Stock Units if Participant actually owned the same number of shares of Stock during the period between the Grant Date and the Vesting Date. Dividend Equivalent Units shall vest at the same time that the Restricted Stock Units vest; provided, however, that in the event the Restricted Stock Units are forfeited then any accumulated Dividend Equivalent Units will also be forfeited.

(e) **No Rights as Stockholder**. Participant shall not be a shareholder of record and therefore shall have no voting, dividend or other shareholder rights prior to the issuance of shares of Stock at vesting.

(f) **Settlement and Delivery of Stock**. Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after the applicable Vesting Date but in no event later than 2-1/2 months following the year in which the Vesting Date occurs. Settlement will be made by payment in shares of Stock. Notwithstanding the foregoing, YUM! shall not be obligated to deliver any shares of Stock if counsel to YUM! determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of YUM! with, any securities exchange or association upon which the Stock is listed or quoted. YUM! shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Stock to comply with any such law, rule, regulation or agreement.

Furthermore, Participant understands that the laws of the country in which he/she is working at the time of grant or vesting of the Restricted Stock Units or at the subsequent sale of Stock granted to Participant under this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may subject Participant to additional procedural or regulatory requirements he/she is solely responsible for and will have to independently fulfill in relation to ownership or sale of such Stock.

3. **Withholding of Tax.**

(a) Participant acknowledges that regardless of any action taken by YUM! or if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items arising out of Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), is and remains Participant's responsibility and may exceed the amount actually withheld by YUM! and/or the Employer. Participant further acknowledges that YUM! and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Stock acquired under the Plan pursuant to such settlement and the receipt of any dividends or Dividend Equivalent Units; and (b) do not commit and are under no obligation to structure the terms of the grant or any aspect of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if Participant is or becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event or tax withholding event, as applicable, Participant acknowledges that YUM! and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, Participant shall pay or make adequate arrangements satisfactory to YUM! and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes YUM! and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following (1) withholding from Participant's wages or other cash

compensation paid to Participant by YUM!, the Employer, or any Subsidiary of YUM!; or (2) withholding from the proceeds of the sale of shares of Stock acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by YUM! (on Participant's behalf pursuant to this authorization); or (3) withholding in Stock to be issued upon settlement of the Restricted Stock Units.

(c) Depending on the withholding method, YUM! or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent. If the obligation for the Tax-Related Items is satisfied by withholding in Stock, for tax purposes, Participant is deemed to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units, notwithstanding that a number of shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

(d) Participant shall pay to YUM! or the Employer any amount of Tax-Related Items that YUM! or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described in this Paragraph 3. YUM! may refuse to issue or deliver the Stock or the proceeds from the sale of Stock, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

4. **Nature of Award.** In accepting the Restricted Stock Units, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by YUM!, it is discretionary in nature and may be modified, amended, suspended or terminated by YUM! at any time, to the extent permitted by the Plan;

(b) this Award of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) the Restricted Stock Units and any shares acquired under the Plan are not part of normal or expected compensation or salary for any purpose;

(d) Participant acknowledges and agrees that neither YUM!, the Employer nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between his or her local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any shares of Stock acquired upon settlement;

(e) all decisions with respect to future grants of Restricted Stock Units or other Awards, if any, will be at the sole discretion of YUM!;

(f) Participant's participation in the Plan is voluntary;

(g) this Award of Restricted Stock Units and any Stock acquired under the Plan are not intended to replace any pension rights or compensation;

(h) the future value of the Stock underlying the Restricted Stock Units is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from termination of this Award of Restricted Stock Units or diminution in value of the Stock acquired upon settlement resulting from Participant's separation from service (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of this Award of Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against YUM!, any of its Subsidiaries and/or the Employer, waives Participant's ability, if any, to bring any such claim, and releases YUM!, its Subsidiaries and/or the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) for purposes of the Restricted Stock Units, Participant's employment or service relationship will be considered terminated as of the date Participant is no longer actively providing services to YUM! or one of its Subsidiaries (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by YUM!, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Award (including whether Participant may still be considered to be providing services while on a leave of absence);

(k) by accepting the Restricted Stock Units covered by this Agreement, Participant agrees to an amendment to the terms of all prior Global Restricted Stock Unit Agreements between the Company and Participant pursuant to which there are currently unvested Restricted Stock Units outstanding, to add a new Section 13 to such Agreements which is identical to Section 13, Restrictive Covenants, of this Agreement; and

(l) unless otherwise provided in the Plan or by YUM! in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock.

5. **Compensation Recovery Policy.**

(a) Participant acknowledges and agrees that the Restricted Stock Units granted to Participant under this Agreement shall be subject to the YUM! Brands, Inc. Compensation Recovery Policy, amended and restated January 1, 2015 (“Compensation Recovery Policy”), and as in effect on the date of this Agreement.

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

6. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant’s participation in the Plan, or sale of the Stock acquired upon vesting of the Restricted Stock Units. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

7. **Adjustment for Change in Stock.** As set forth in the Plan, in the event of any change in the outstanding shares of Stock by reason of any stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the number of shares which Participant may receive upon settlement of the Restricted Stock Units shall be adjusted appropriately in the Committee’s sole discretion.

8. **Employment Relationship.** For purposes of this Agreement, Participant shall be considered to be in the employment of the Company as long as Participant remains an employee of YUM! or any of its Subsidiaries or a corporation or a subsidiary of YUM! assuming or substituting a new award for this Award of Restricted Stock Units. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

Nothing contained in this Agreement is intended to constitute or create a contract of service or employment, nor shall it constitute or create the right to remain associated with or in the service or employ of YUM!, the Employer or any other Subsidiary or related company for any particular period of time. This Agreement shall not interfere in any way with the right of YUM!, the Employer or any Subsidiary or related company, as applicable, to terminate Participant’s service or employment at any time. Furthermore, this Agreement, the Plan, and any other Plan documents are not part of Participant’s employment contract, if any, and do not guarantee either Participant’s

right to receive any future grants of Awards or benefits in lieu thereof under this Agreement or the Plan. The Restricted Stock Units and any Stock acquired under the Plan and the income and value of same are not part of normal or expected compensation for any purposes of calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

9. ***Data Privacy.*** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Employer, YUM! and its Subsidiaries for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that YUM! and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Stock or directorships held in YUM!, details of all Awards of Restricted Stock Units or any other entitlement to Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to Merrill Lynch, which is assisting YUM! with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections from Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes YUM!, Merrill Lynch and any other possible recipients which may assist YUM! (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing his or her consent is that YUM! would not be able to grant Participant Restricted Stock Units or other Awards or administer or maintain such Awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

10. **Mode of Communications.** Participant agrees, to the fullest extent permitted by law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that YUM! or related company may deliver in connection with this grant and any other grants offered by YUM!, including prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via YUM!'s email system or by reference to a location on YUM!'s intranet or website or website of YUM!'s agent administering the Plan.

To the extent Participant has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Award in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

11. **Committee's Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

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

13. **Restrictive Covenants.** By accepting the Restricted Stock Units, and in consideration of these units and receipt of confidential information from the Company during his or her employment, Participant specifically agrees to the restrictive covenants contained in this Section 13 (the "Restrictive Covenants") and agrees that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company. Sections 13(b) and 13(c) apply to Participants who are Level 15 employees (or the equivalent of a Level 15 Employee) of the Company or above.

(a) **Confidentiality.** In consideration for receiving the Restricted Stock Units, Participant acknowledges that the Company is engaged in a competitive business environment and has a substantial interest in protecting its confidential information. Participant agrees that he or she has received and continues to receive, by virtue of his or her position with the Company, access to confidential information (including trade secrets) related to the Company and its business, and Participant agrees, during his or her employment with the Company and thereafter, and in consideration of receiving such information to maintain the confidentiality of the Company's confidential information and to use such confidential information for the exclusive benefit of the Company, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) **Competitive Activity.** During Participant's employment with the Company and for one year following the termination of Participant's employment for any reason whatsoever, Participant agrees and covenants that: Participant shall not either directly or indirectly, alone or

in conjunction with any other party or entity, perform any services, work or consulting for one or more Competitor Companies anywhere in the world. A “Competitor Company” shall be defined as: (i) any company or other entity engaged as a “quick service restaurant” (“QSR”) and (ii) any company or other entity that is a delivery-oriented restaurant; and (iii) any entity under common control with an entity included in (i) or (ii), above. Competitor Companies covered under this definition include, but are not limited to: McDonald’s, Domino’s Pizza, Starbucks, Wendy’s, Papa John’s, Restaurant Brands International (including Burger King, Tim Horton’s and Popeye’s Chicken), Culver’s, In-N-Out Burger, Sonic, Hardee’s, Arby’s, Jack-in-the-Box, Chick-fil-A, Chipotle, Q-doba, Panera Bread, Subway, Dunkin’ Brands, Five Guys, Bojangles, Church’s, Del Taco, Little Caesars, Subway, Dico’s, Jollibee, Blaze, MOD Pizza, Olive Garden, JAB Holding Company, Darden Restaurants, Inspire Brands and Focus Brands, and their respective organizations, partnerships, ventures, sister companies, franchisees, affiliates, franchisee organizations, cooperatives or any organization in which they have an interest and which are involved in the QSR restaurant industry anywhere in the world, or which otherwise compete with Yum Brands, Inc.

In the event that any portion of this Section 13(b) shall be determined by a court or arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court or arbitrator in such action. Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

Notwithstanding the forgoing, the provisions of this Section 13(b) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California.

(c) Non-Solicitation. During Participant’s employment and for eighteen months following the later of (i) termination of Participant’s employment for any reason whatsoever or (ii) the last scheduled award vesting date, Participant shall not:

- (i) induce or attempt to induce any employee of the Company to leave the employ of Company;
- (ii) induce or attempt to induce any employee of the Company to work for, render services to, or provide advice to any third party;
- (iii) induce or attempt to induce any current or former employee of the Company to supply confidential information of Company to any third party, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal;

(iv) employ, or otherwise pay for services rendered by, any employee of the Company in any business enterprise with which Participant may be associated, connected or affiliated;

(v) induce or attempt to induce any customer, franchisee, supplier, licensee, licensor or other business relation of Company to cease doing business with Company, or in any way interfere with the then existing business relationship between any such customer, franchisee, supplier, licensee, licensor or other business relation and Company; or

(vi) assist, solicit, or encourage any other third party, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by Participant. In particular, Participant will not, directly or indirectly, induce any employee of Company to carry out any such activity.

Notwithstanding the forgoing, the provisions of this Section 13(c) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California.

The Company and Participant agree that the provisions of this Section 13 contain restrictions that are not greater than necessary to protect the interests of the Company.

(d) Partial Invalidity. If any portion of this Section 13 is determined by a court or arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(e) Clawback & Recovery. Participant agrees that a breach of any of the Restrictive Covenants set forth in this Section 13 would cause material and irreparable harm to the Company. Accordingly, Participant agrees that if the Committee, in its sole discretion, determines that Participant has violated any of the Restrictive Covenants contained in this Section 13, either during employment with the Company or after such employment terminates for any reason, the following rules shall apply:

(i) The Committee may (A) terminate such Participant's participation in the Plan and/or (B) send a "Recapture Notice" that will (1) cancel all or a portion of this or any outstanding Restricted Stock Units, (2) require the return of any shares of Stock received upon settlement of this or any prior Restricted Stock Units and/or (3) require the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such settlement.

(ii) Under this Section 13, the obligation to return shares of Stock received and/or to reimburse the Company for any net proceeds received pursuant to a Recapture

Notice, shall be limited to shares and/or proceeds received by Participant within the period that is one year prior to and one year following the Participant's termination of employment.

(iii) The Committee has sole and absolute discretion to take action or not to take action pursuant to this Section 13 upon determination of a breach of a Restrictive Covenant, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.

(iv) Any action taken by the Committee pursuant to this Section 13(e) is without prejudice to any other action the Committee may choose to take upon determination that the Participant has violated a Restrictive Covenant contained herein.

(v) This Section 13(e) will cease to apply upon a Change in Control.

(f) Right of Set Off. By accepting the Restricted Stock Units, Participant agrees that any member of the Company Group may set off any amount owed to Participant (including wages or other compensation, fringe benefits or vacation pay) against any amounts Participant owes under this Section 13.

14. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to YUM! and all persons lawfully claiming under Participant.

15. **Insider Trading Restrictions/Market Abuse Laws.** Participant acknowledges that, depending on his or her country of residence, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell shares of Stock or rights to shares of Stock (e.g., Restricted Stock Units) under the Plan during such times as Participant is considered to have "inside information" regarding YUM! (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions, and Participant is advised to speak to his or her personal advisor on this matter.

16. **Governing Law and Forum.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina. For purposes of resolving any dispute that may arise directly or indirectly from this Agreement, the parties hereby agree that any such dispute that cannot be resolved by the parties shall be submitted the Committee for resolution, and any decision by the Committee shall be final.

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

17. **Addendum.** Notwithstanding any provisions in this Agreement, the Award of Restricted Stock Units shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for Participant's country. Moreover, if Participant relocates to one

of the countries included in the Addendum, the special terms and conditions for such country will apply to Participant, to the extent YUM! determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

18. **Imposition of Other Requirements.** YUM! reserves the right to impose other requirements on Participant's participation in the Plan, on the Restricted Stock Units and on any Stock acquired under the Plan, to the extent YUM! determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

19. **Waiver.** Participant acknowledges that a waiver by the company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

20. **Section 409A Provisions.** Notwithstanding anything in this Agreement (or the Plan) to the contrary:

(a) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and all regulations, guidance and other interpretive authority issued thereunder ("Code Section 409A") so as not to subject Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Participant. Notwithstanding the foregoing or any other provision of this Agreement, neither YUM! nor any Subsidiary guarantees the tax treatment of the award evidenced by this Agreement (or other awards under the Plan).

(b) If any payment hereunder (whether separately or together with any other payments) is subject to Code Section 409A, and if such payment or benefit is to be paid or provided on account of Participant's termination of employment (or other separation from service or termination of employment) (i) and if Participant is a specified employee (within the meaning of Code Section 409A) and if any such payment is required to be made or provided prior to the first day of the seventh month following Participant's separation from service or termination of employment, such payment shall be delayed until the first day of the seventh month following Participant's separation from service or termination of employment, and (ii) the determination as to whether Participant has had a termination of employment (or separation from service) shall be made in accordance with the provisions of Code Section 409A without application of any alternative levels of reductions of bona fide services permitted thereunder.

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

(a) "Retirement" shall mean termination of employment by Participant on or after Participant's attainment of age 55 and 10 years of service or age 65 and 5 years of service (and not for any other reason).

(b) "Special Termination" means, (i) with respect to a Participant who has been approved as a franchisee by YUM! or any of its affiliates, the Participant's termination of employment with the Company (other than a termination by the Company for cause) to become, immediately following such termination, a franchisee of YUM! or one of its affiliates. Participants who do not meet the foregoing requirements may not have a Special Termination, and (ii) with respect to any Participant, the Participant's termination of employment with the Company (other than a termination by the Company for cause) to become, immediately following such termination, an employee of a franchisee of YUM! or one of its Subsidiaries as approved by an officer of YUM!.

IN WITNESS WHEREOF, YUM! has caused this Agreement to be duly executed by an officer thereunto duly authorized as of the date first above written.

ADDENDUM TO
YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN
GLOBAL RESTRICTED STOCK UNIT AGREEMENT
FOR NON-U.S. PARTICIPANTS

Terms and Conditions

This Addendum includes additional terms and conditions that govern the Award of Restricted Stock Units granted to Participant under the Yum! Brands, Inc. Long Term Incentive Plan if Participant works and/or resides in one of the countries listed below. Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Restricted Stock Unit Agreement and the Plan.

Notifications

This Addendum also includes information regarding exchange controls and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of **December 2014**. Such laws are often complex and change frequently. As a result, YUM! strongly recommends that Participant not rely on the information in this Addendum as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time that Restricted Stock Units vest or Participant sells Stock acquired at vesting of the Restricted Stock Units under the Plan.

In addition, the information contained herein is general in nature and may not apply to Participant's particular situation, and YUM! is not in a position to assure Participant of a particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which he or she is currently working or transfers employment after the Grant Date, the information contained herein may not be applicable to Participant.

AUSTRALIA

Terms and Conditions

Australian Offer Document. Participant understands that the offering of the Plan in Australia is intended to qualify for exemption from the prospectus requirements under Class Order 14/1000 issued by the Australian Securities and Investments Commission. Participation in the Plan is subject to the terms and conditions set forth in the Australian Offer Document, the Plan and this Agreement provided to Participant.

Notifications

Securities Law Information. If Participant acquires Stock under the Plan pursuant to the vesting of the Restricted Stock Units and subsequently offers the Stock for sale to a person or entity resident in Australia, such an offer may be subject to disclosure requirements under Australian law, and Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

CANADA

Terms and Conditions

Vesting and Forfeiture. This provision supplements subparagraph 2(c) of the Agreement.

In the event of Participant's involuntary separation from service (whether or not in breach of local labor laws), Participant's right to receive and vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the date that is the earlier of: (1) the date Participant receives notice of termination of service from YUM! or if different, the Employer, or (2) the date Participant is no longer actively providing service to YUM! or the Employer regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law); the Committee shall have the exclusive discretion to determine when Participant no longer actively providing service for purposes of the Award of Restricted Stock Units.

The following provisions will apply if Participant is a resident of Quebec:

French Language Provision.

The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de la convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à ou suite à la présente convention.

Data Privacy. This provision supplements Paragraph 8 of the Agreement:

Participant hereby authorizes YUM! and YUM!'s representatives to discuss and obtain all relevant information from all personnel, professional or non-professional involved in the administration of the Plan. Participant further authorizes YUM!, the Employer and any Subsidiary to disclose and discuss such information amongst themselves and with their advisors. Participant also authorizes YUM!, the Employer and any Subsidiary to record such information and to keep such information in Participant's service or employment file.

Notifications

Securities Law Information. Participant is permitted to sell Stock acquired under the Plan through the designated broker appointed under the Plan, if any, provided the resale of the Stock acquired under the Plan takes place outside of Canada, which should be the case as the Stock is currently listed on the New York Stock Exchange.

Foreign Asset/Account Reporting Information. Participant is required to report any foreign property (including shares of Stock) on form T1135 (Foreign Income Verification Statement) if the total value of Participant's foreign property exceeds C\$100,000 at any time in the year. The form must be filed by April 30th of the following year. Participant is advised to consult with his or her personal legal advisor to ensure compliance with applicable reporting obligations.

CHINA

Terms and Conditions

The following provisions apply only to nationals of the People's Republic of China (the "PRC") residing in the PRC, unless otherwise determined by YUM! or required by the State Administration of Foreign Exchange ("SAFE"):

Mandatory Sale of Shares Upon Termination of Service. To ensure compliance with exchange control laws in China, Participant agrees that any Stock issued upon settlement of the RSUs and held by Participant at the time of his or her termination of service must be sold immediately upon such termination of service. Any Stock that is not sold by Participant will be sold on his or her behalf as soon as practicable after Participant's termination of service and in no event more than six months after his or her termination of service, pursuant to this authorization (i) to YUM! to instruct its designated broker to sell such Stock and (ii) to the designated broker to assist with the sale of such Stock. Participant acknowledges that YUM!'s designated broker is under no obligation to arrange for the sale of the Stock at any particular price. Upon the sale of the Stock, YUM! agrees to pay Participant the cash proceeds from the sale of the Stock, less any brokerage fees or commissions and subject to any obligation on YUM! or the Employer to satisfy any Tax-Related Items.

Broker Account. Any Stock issued to Participant upon settlement of the RSUs must be maintained in an account with Merrill Lynch or such other broker as may be designated by YUM! until the Stock is sold through that broker.

Repatriation. Pursuant to exchange control laws in China, when the Stock acquired at settlement of the RSUs are sold, whether immediately or thereafter, including on Participant's behalf after termination of his or her service, Participant will be required to immediately repatriate the cash proceeds from the sale of the Stock and any cash dividends paid on such Stock to China. Participant further understands that, under local law, such repatriation of his or her cash proceeds will need to be effectuated through a special exchange control account established in China by YUM! or any Subsidiary or the Employer, and Participant hereby consents and agrees that any proceeds from the sale of Stock will be transferred to such special account prior to being delivered to Participant. Unless YUM! in its sole discretion decides otherwise, the proceeds will be paid to Participant in local currency. The Company is under no obligation to secure any exchange conversion rate, and YUM! may face delays in converting the proceeds to local currency due to exchange control restrictions in China. Participant agrees to bear any currency fluctuation risk between the time the Stock is sold and the time the sale proceeds are distributed through such special exchange control account.

Other. Participant further agrees to comply with any other requirements that may be imposed by YUM! in the future in order to facilitate compliance with exchange control requirements in China and to sign any agreements, forms and/or consents that may be reasonably requested by YUM! or its designated broker to effectuate any of the remittances, transfers, conversions or other processes affecting the proceeds.

Notifications

Foreign Asset and Account Reporting. Participant may be required to report to SAFE all details of their foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-PRC residents. Participant should consult with his or her personal advisor in order to ensure compliance with applicable reporting requirements.

FRANCE

Term and Conditions

Language Consent. By accepting the Award of Restricted Stock Units, Participant confirms having read and understood the documents relating to this grant (the Plan and the Agreement, including this Addendum) which were provided in English language. Participant accepts the terms of those documents accordingly.

En acceptant l'attribution, vous confirmez ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le contrat, y compris cette Annexe) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. Participant must declare all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) in his or her annual income tax return.

GERMANY

Notifications

Exchange Control Information. If Participant remits proceeds in excess of €12,500 out of or into Germany, Participant must report such cross-border payment(s) to the German Federal Bank (*Bundesbank*). In case of payments in connection with securities (such as proceeds from the sale of shares of Stock acquired under the Plan), the report must be made electronically by the 5th day of the month following the month in which the payment was received. The form of the report (Allgemeine Meldeportal Statistik) can be obtained via the Bundesbank's website (www.bundesbank.de) in English and German.

HONG KONG

Terms and Conditions

Warning: The Restricted Stock Units and Stock acquired at vesting do not constitute a public offering of securities under Hong Kong law and are available only to directors of YUM! and employees of YUM! or a Subsidiary. The Agreement, including this Addendum, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong nor have the documents been reviewed by any regulatory authority in Hong Kong. If Participant is in any doubt about any of the contents of the Agreement, including this Addendum, or the Plan, Participant should obtain independent professional advice.

INDIA

Notifications

Exchange Control Information. Participant must repatriate the proceeds from the sale of Stock received in relation to the Stock to India within 90 days after receipt. Participant must also repatriate any dividends received in relation to the Stock to India within 180 days after receipt. Participant must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is Participant's responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. Participant understands that he or she is required to declare foreign bank accounts and any foreign financial assets (including shares of Stock held outside India) in his or her annual tax return. Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

ITALY

Terms and Conditions

Data Privacy. This provision replaces Paragraph 8 of the Agreement:

Participant understands that the Employer and YUM! and any Subsidiary may hold certain personal information about him or her, including, but not limited to, Participant's name, home address, telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Stock or directorships held in YUM!, details of all Restricted Stock Units and other awards or entitlements to Stock awarded, canceled, exercised, vested, unvested, settled or outstanding in Participant's favor ("Data"), for the purpose of implementing, managing and administering the Plan.

Participant also understands that providing YUM! with Data is necessary for the performance of the Plan and that his or her refusal to provide such Data would make it impossible for YUM! to perform its contractual obligations and may affect Participant's ability to participate in the Plan. The controller of personal data processing is YUM! with registered offices at 1441 Gardiner Lane, Louisville, Kentucky 40213, United States and, pursuant to Legislative Decree no. 196/2003, its representative in Italy for privacy purposes is KFC Italy S.r.l., with registered offices at c/o Cocuzza & Associati, Via San Giovanni Sul Muro 18, Milan.

Participant understands that Data will not be publicized or used for direct marketing purposes. Participant further understand that the Employer and YUM! and any Subsidiary will transfer Data among themselves as necessary for the purposes of implementing, administering and managing Participant's participation in the Plan, and that the Employer and YUM! and any Subsidiary may each further transfer Data to Merrill Lynch or such other stock plan service provider as may be selected by YUM!, which is assisting YUM! with the implementation, administration and management of the Plan. Data may also be transferred to certain other third parties assisting YUM! with the implementation, administration and management of the Plan, including any transfer of such Data as may be required to a broker or other third party with whom Participant may elect to deposit any Stock acquired under the Plan subject to the terms of the Agreement. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing Participant's participation in the Plan. Participant understands that these recipients may be located inside or outside of the European Economic Area, such as in the United States or elsewhere. Should YUM! exercise its discretion in suspending all necessary legal obligations connected with the administration and management of the Plan, it will delete Data as soon as it has completed all of the necessary legal obligations connected with such administration and management of the Plan.

Participant understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The use, processing and transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require Participant's consent thereto, as such use, processing and transfer is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan, as discussed above. Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Participant has the right, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the use, processing and transfer of Data. For more information on the collection, use, processing and transfer set forth in this document, Participant understands that he or she may contact the human resources representative designated by the Employer and/or YUM!.

Grant Document Acknowledgment. In accepting the Restricted Stock Units, Participant acknowledges that he or she has received a copy of the Plan, the Summary Plan Description and the Agreement and has reviewed the documents in their entirety and fully understand and accept all provisions contained therein. Participant acknowledges, further, that he or she may request a written copy of the Plan at any time.

Participant further acknowledges that he or she has read and specifically and expressly approves the following provisions of the Agreement: subparagraph 2(c) Vesting and Forfeiture; Paragraph 3 Withholding of Tax; Paragraph 4 Nature of Award; Paragraph 5 Compensation Recovery Policy; Paragraph 7 Employment Relationship; Paragraph 14 Governing Law and Forum; and the Data Privacy section of this Addendum (above).

Notifications

Foreign Asset/Account Reporting Information. If Participant holds investments abroad or foreign financial assets (*e.g.*, Stock acquired under the Plan or cash from the sale of such Stock, etc.) that may generate income taxable in Italy, Participant is required to report them on his or her annual tax returns (UNICO Form, RW Schedule) or on a special form if no tax return is due, irrespective of their value.

Foreign Asset Tax Information. The value of the financial assets (*e.g.*, Stock acquired under the Plan or cash from the sale of such Stock, etc.) held outside of Italy by Italian residents is subject to a foreign asset tax levied at an annual rate of 0.2%. The taxable amount will be the fair market value of the financial assets assessed at the end of the calendar year.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. Participant is required to report details of assets held outside of Japan as of December 31st, including shares of Stock acquired under the Plan, to the extent such assets have a total net fair market value exceeding €50,000. The report will be due by March 15th each year. Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

KOREA

Notifications

Exchange Control Information. Exchange control laws require Korean residents who realize US\$500,000 or more from the sale of Stock or the receipt of dividends to repatriate the proceeds to Korea within 18 months of the sale.

Foreign Asset/Account Reporting Information. Korean residents must declare all foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

NETHERLANDS

No country-specific requirements apply.

RUSSIA

Terms and Conditions

U.S. Securities Transaction. Participant understands that this Award of Restricted Stock Units shall be valid and the Agreement shall be concluded and become effective only when the Agreement is received electronically or otherwise by YUM! in the United States.

Notifications

Securities Law Information. This Addendum, the Agreement, the Plan and all other materials that Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. The issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia. In no event will Stock be delivered to Participant in Russia; instead, all Stock acquired upon vesting of the Restricted Stock Units will be maintained on Participant's behalf in the United States.

Exchange Control Notification. Under current exchange control regulations, within a reasonably short time after sale of Stock acquired under the Plan, Participant must repatriate the sale proceeds to Russia. Such sale proceeds must be credited initially to Participant through a foreign currency account at an authorized bank in Russia. After the sale proceeds are initially received in Russia, the funds may be further remitted to foreign banks in accordance with Russian exchange control laws.

Participant should consult his or her personal advisor before remitting any sale proceeds to Russia, as exchange control requirements may change.

SINGAPORE

Terms and Conditions

The following variation in the terms and conditions set forth in this Agreement only applies to Participants who are U.S. citizens, residents, or green card holders employed by a Subsidiary organized under the laws of Singapore.

Forfeiture of Restricted Stock Units. Notwithstanding subparagraph 2(c) of the Agreement, in the event of termination of Participant's service with the employing Subsidiary as the result of Retirement, Participant shall forfeit all Restricted Stock Units to the extent they are not fully vested at the time of such separation from service as determined in accordance with subparagraph 4(j) of this Agreement.

Notifications

Securities Law Information. The Restricted Stock Units are being granted to Participant pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that such Award of Restricted Stock Units is subject to section 257 of the SFA and Participant will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of Stock underlying the Restricted Stock Units unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Cap 289, 2006 Ed.).

Director Notification Obligation. If Participant is a director, associate director or shadow director of YUM! or a Singaporean Subsidiary, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean Subsidiary in writing when Participant receives an interest (*e.g.*, Restricted Stock Units, Stock) in YUM! or any related companies. Please contact YUM! to obtain a copy of the notification form. In addition, Participant must notify YUM! or Singaporean Subsidiary when Participant sells Stock of YUM! or any related company (including when Participant sell Stock acquired under the Plan). These notifications must be made within two days of acquiring or disposing of any interest in YUM! or any related company. In addition, a notification must be made of Participant's interests in YUM! or any related company within two days of becoming a director.

SOUTH AFRICA

Terms and Conditions

Withholding of Tax. The following provision supplements Paragraph 3 of the Agreement:

By accepting the Restricted Stock Units, Participant agrees that, immediately upon settlement of the Restricted Stock Units, Participant will notify the Employer of the amount of any gain realized. If Participant fails to advise the Employer of the gain realized upon settlement, Participant may be liable for a fine. Participant will be solely responsible for paying any difference between the actual tax liability and the amount withheld by the Employer.

SPAIN

Terms and Conditions

Labor Law Acknowledgement. The following provision supplements Paragraph 4 of the Agreement:

Participant understands that YUM! has unilaterally, gratuitously and in its sole discretion decided to grant Restricted Stock Units to select Eligible Individuals who meet the eligibility requirements set forth in the Plan. The decision is a limited decision, which is entered into upon the express assumption and condition that any Restricted Stock Units granted will not economically or otherwise bind YUM! or any of its Subsidiaries on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, Participant understands that the Restricted Stock Units granted hereunder are given on the assumption and condition that they shall not become a part of any employment contract (either with YUM! or any of its Subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. Further, Participant understands and freely accepts that there is no guarantee that any benefit whatsoever shall arise from any gratuitous and discretionary grant of Restricted Stock Units since the future value of the Restricted Stock Units and the underlying Stock is unknown and unpredictable. In addition, Participant understands that any Restricted Stock Units granted hereunder would not be made but for the assumptions and conditions referred to above; thus, Participant understands, acknowledges and freely accepts that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of Restricted Stock Units or right to Restricted Stock Units shall be null and void.

Further, the vesting of the Restricted Stock Units is expressly conditioned on Participant's continued and active rendering of service, such that if his or her employment terminates for any reason whatsoever, the Restricted Stock Units may cease vesting immediately, in whole or in part, effective on the date of Participant's termination of employment except as otherwise specified in Paragraph 2 of the Agreement. This will be the case, for example, even if (1) Participant is considered to be unfairly dismissed without good cause; (2) Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) Participant terminates service due to a change of work location, duties or any other employment or contractual condition; (4) Participant terminates service due to a unilateral breach of contract by YUM! or a Subsidiary; or (5) Participant's employment terminates for any other reason whatsoever. Consequently, upon termination of Participant's employment for any of the above reasons, Participant may automatically lose any rights to Restricted Stock Units that were not vested on the date of Participant's termination of employment unless otherwise provided in Paragraph 2 of the Agreement.

Participant acknowledges that he or she has read and specifically accept the conditions referred to in Paragraph 4 of the Agreement.

Notifications

Securities Law Information. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory. The Agreement, including this Addendum, has not been nor will it be registered with the Comisión Nacional del Mercado de Valores, and does not constitute a public offering prospectus.

Exchange Control Information. If Participant acquires Stock under the Plan, Participant must declare the acquisition to the Dirección General de Comercio e Inversiones (the “DGCI”). If Participant acquires the Stock through the use of a Spanish financial institution, that institution will automatically make the declaration

to the DGCI; otherwise, Participant will be required to make the declaration by filing a D-6 form. Participant must declare ownership of any Stock with the DGCI each January while the Stock is owned and must also report, in January, any sale of shares of Stock that occurred in the previous year for which the report is being made, unless the sale proceeds exceed the applicable threshold, in which case the report is due within one month of the sale.

Foreign Asset/Account Reporting Information. Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed €1,000,000.

Further, effective January 1, 2013, to the extent that Participant holds shares and/or have bank accounts outside Spain with a value in excess of €50,000 (for each type of asset) as of December 31 each year, Participant will be required to report information on such assets in his or her tax return (tax form 720) for such year. After such shares and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported shares or accounts increases by more than €20,000. If the value of such shares and/or accounts as of December 31 does not exceed €50,000, a summarized form of declaration may be presented.

SWITZERLAND

Notifications

Securities Law Information. The Award of Restricted Stock Units is considered a private offering in Switzerland; therefore, it is not subject to registration.

THAILAND

Notifications

Exchange Control Information. Participant must immediately repatriate the proceeds from the sale of Stock and any dividends to Thailand immediately upon receipt if the amount of received in a single transaction is US\$50,000 or more. Participant must then either convert the funds to Thai Baht or deposit the amount in a foreign currency deposit account maintained by a bank in Thailand within 360 days of repatriating the amount to Thailand. If the repatriated amount is US\$50,000 or more, Participant must report the inward remittance by submitting the Foreign Exchange Transaction Form to the authorized agent or the Bank of Thailand. Participant is solely responsible for complying with applicable exchange control rules in Thailand and is advised to consult with his or her personal advisor to ensure such compliance.

TURKEY

Notifications

Securities Law Information. Participant is not permitted to sell shares of Stock acquired under the Plan in Turkey. Participant must sell such shares outside of Turkey. The Stock is currently traded on the New York Stock Exchange under the ticker symbol “YUM” and shares of Stock may be sold on this exchange, which is located outside of Turkey.

Exchange Control Information. Pursuant to Decree No. 32 on the Protection of the Value of the Turkish Currency (“Decree 32”) and Communique No. 2008-32/34 on Decree 32, any activity related to investments in foreign securities (*e.g.*, the sale of shares of Stock under the Plan, the receipt of cash dividends or any portion of Dividend Equivalent Units paid in cash) must be conducted through a bank or financial intermediary institution licensed by the Turkish Capital Markets Board and should be reported to the Turkish Capital Markets Board. Participant is solely responsible for complying with Turkish exchange control requirements and is advised to contact a personal legal advisor for further information regarding these requirements.

UNITED ARAB EMIRATES (DUBAI)

Terms and Conditions

The following variation in the terms and conditions set forth in this Agreement only applies to Participants who are U.S. citizens, residents, or green card holders employed by a Subsidiary organized under the laws of the UAE.

Forfeiture of Restricted Stock Units. Notwithstanding subparagraph 2(c) of the Agreement, in the event of termination of Participant's service with the employing Subsidiary as the result of Retirement, Participant shall forfeit all Restricted Stock Units to the extent they are not fully vested at the time of such separation from service as determined in accordance with subparagraph 4(j) of this Agreement.

Notifications

Securities Law Information. The offer of Restricted Stock Units under the Plan is made only to individuals who satisfy the definition of Eligible Individuals in the Plan, and constitutes an “exempt personal offer” of equity incentives to employees in the United Arab Emirates. This Agreement, the Plan and any other documents related to the Award of Restricted Stock Units are intended for distribution only to Eligible Individuals and must not be delivered to, or relied on, by any other person.

The Emirates Securities and Commodities Authority and/or the Central Bank have no responsibility for reviewing or verifying any documents in connection with this statement. The Ministry of Economy, the Dubai Department of Economic Development, the Emirates Securities and Commodities Authority, Central Bank and the Dubai Financial Securities Authority have not approved this statement, the Plan, this Agreement or any other documents related to the Award of Restricted Stock Units or taken steps to verify the information set out therein and have no responsibility for such documents.

If Participant does not understand the contents of this Agreement or the Plan, Participant should consult his or her personal financial advisor.

UNITED KINGDOM

Terms and Conditions

Withholding of Tax. The following provisions supplement Paragraph 3 of the Agreement:

Participant agrees that, if Participant does not pay or the Employer or YUM! does not withhold from Participant the full amount of Tax-Related Items that Participant owes at vesting of the Restricted Stock Units, or the release or assignment of the Restricted Stock Units for consideration, or the receipt of any other benefit in connection with the Restricted Stock Units (the “Taxable Event”) within 90 days after the end of

the tax year in which the Taxable Event occurs, or such other period specified in section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), then the amount that should have been withheld shall constitute a loan owed by Participant to the Employer, effective on the Due Date. Participant agrees that the loan will bear interest at Her Majesty's Revenue & Custom's ("HMRC's") official rate and will be immediately due and repayable by Participant, and YUM! and/or the Employer may recover it at any time thereafter by any of the means set forth in Paragraph 3 of the Agreement. Participant also authorizes YUM! to delay the delivery of Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Participant is an officer or executive director (as within the meaning of section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Participant is an officer or executive director and Tax-Related Items are not collected from or paid by Participant by the Due Date, the amount of any uncollected Tax-Related Items will constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("NICs") will be payable. Participant will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Employer for the value of any NICs due on this additional benefit. Participant acknowledges that YUM! or the Employer may recover any such amounts by any of the means referred to in Paragraph 3 of the Agreement.

BY PARTICIPATING IN THE PLAN, I AM DEEMED TO ACCEPT THE GRANT BY YUM! BRANDS, INC. OF THE RESTRICTED STOCK UNITS, AND I HEREBY AGREE TO THE TERMS AND CONDITIONS SET FORTH IN THIS RESTRICTED STOCK UNIT AGREEMENT DATED _____, 20__.

YUM! BRANDS, INC.

By: /s/ Tracy Skeans
Tracy Skeans
YUM! Brands, Inc. Chief Transformation and People Officer

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Section 3: EX-10.11.3 (EXHIBIT 10.11.3)

YUM! BRANDS, INC.
LONG TERM INCENTIVE PLAN

FORM OF GLOBAL YUM! NON-QUALIFIED STOCK OPTION AGREEMENT

This Global YUM! Non-Qualified Stock Option Agreement is made as of the __ day of _____, 20__, by and between YUM! Brands, Inc., a North Carolina corporation having its principal office at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A. (“YUM!”), and [Insert] (the “Optionee”).

W I T N E S S E T H:

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

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

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

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

NOW, THEREFORE, it is mutually agreed as follows:

1. Grant. In consideration of the Optionee remaining in the employ of YUM! or one of its divisions or direct or indirect Subsidiaries (collectively the “Company”), YUM! hereby grants to the Optionee, as of _____, 20__ (the “Grant Date”), on the terms and conditions set forth in this Global YUM! Stock Option Agreement, including any country-specific terms and conditions for the Optionee’s country set forth in the attached appendix (the “Appendix” and together with the Global YUM! Non-Qualified Stock Option Agreement, the “Agreement”) and the Plan, the right and option to purchase (XXX) shares of Stock (the “Covered Shares”), at an Exercise Price of \$xx.xx per share, which was the Closing Value (as defined in Section 25) of a share of Stock on the Grant Date. The right to purchase each such share is referred to herein as an “Option”.

2. Exercisability.

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

anniversary of the Grant Date, and (3) the four-year anniversary of the Grant Date, respectively.

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

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

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

4. Effect of Termination of Employment, Death, Retirement and Special Termination.

(a) The Optionee shall have a period of 90 days following the Optionee’s termination of employment with the Company (as determined in accordance with Section 7(h) below) to exercise Options that are vested and exercisable as of the Optionee’s last day of employment, but such exercise period shall not extend beyond the end of the Option Term. Except as otherwise provided in this Section 4 or as otherwise provided by the Committee, the Options shall automatically expire, and no Option may be exercised after, such 90-day period (or, if earlier, the last day of the Option Term).

(b) In the event the Optionee’s employment with the Company is involuntarily terminated by the Company other than for cause, including without limitation as a result of (i) a disposition (or similar transaction) with respect to an identifiable Company business or segment (“Business”), and in accordance with the terms of the transaction, the Optionee and a substantial portion of the other employees of the Business continue in employment with such Business or commence employment with its acquiror, (ii) the elimination of the Optionee’s position within the Company, or (iii) the selection of the Optionee for work force reduction (whether voluntary or involuntary), the Options will also pro rata vest on a monthly basis for the vesting period in which the termination occurs such that a portion of the Optionee’s otherwise unvested Options for that vesting period will vest based upon the time the Optionee was employed during the vesting period up to the last day of employment (as determined in accordance with Section 7(h) below) and all unvested Options will be forfeited and become unexercisable. In the event the Optionee’s employment with the Company is terminated for cause, the Optionee’s outstanding

Options will be forfeited and become unexercisable upon such termination unless otherwise provided by the Committee.

(c) In the event the Optionee's employment with the Company is terminated by reason of Optionee's death, the Options will immediately vest as of the date of Optionee's death. The Optionee's Options vested pursuant to this paragraph may be exercised before the earlier of: (i) the five year anniversary of the Optionee's death or (ii) the end of the Option Term set forth in this Agreement

(d) In the event the Optionee's employment with the Company is terminated by reason of Retirement (as defined in Section 24), and such Optionee is Retirement eligible on his or her date of Retirement, the Optionee's Options will continue to vest following Optionee's Retirement through the fourth anniversary of the Grant Date, provided that Optionee remains actively employed by YUM! through the one year anniversary of the Grant Date. The Optionee's Options that vest pursuant to this paragraph must be exercised before the earlier of: (i) the five year anniversary of the Optionee's Retirement or (ii) the end of the Option Term set forth in this Agreement and all unvested Options will be forfeited

(e) (a) In the event the Optionee's employment with the Company is terminated by reason of a Special Termination (as defined in Section 25), the Options will pro rata vest 25), the YUM! Stock Option will vest in accordance with the following: (i) if the Special Termination occurs as a result of a Special Termination as defined in Section 25(c)(i), pro rata on a monthly basis for the vesting period in which the termination occurs such that a portion of the Optionee's otherwise unvested Options for the vesting period in which the termination occurs will vest based on the time the Optionee was employed during the vesting period up to the last day of employment (as determined in accordance with Section 7(h) below) and all unvested Options will be forfeited and (ii) if the Special Termination occurs as a result of a Special Termination as defined in Section 25(c)(ii), in accordance with the vesting schedule otherwise applicable to the options as set forth in this Agreement as though employment with the franchisee were not termination with the Company. The Optionee's vested Options may be exercised during the Option term in accordance with this Agreement.

5. Compensation Recovery Policy.

(a) The Optionee acknowledges and agrees that the Options granted to Optionee under this Agreement shall be subject to the YUM! Brands, Inc. Compensation Recovery Policy, amended and restated January 1, 2015 ("Compensation Recovery Policy"), and as in effect on the date of this Agreement.

(b) This Agreement is a voluntary agreement, and each Optionee who has accepted the Agreement has chosen to do so voluntarily. The Optionee understands that all Options provided under the Agreement and all amounts paid to the individual under the Agreement are provided as an advance that is contingent on the Company's financial statements not being subject to a material restatement. As a condition of the Agreement, the Optionee specifically agrees that the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict the Options for any individual party to such an agreement due to a material restatement of the Company's financial statements, as provided in Yum's Compensation Recovery Policy. In the event that amounts have been paid to the Optionee pursuant to the Agreement and the Committee determines that the Optionee must repay an amount to the Company as a result of the Committee's cancellation, rescission, suspension, withholding or other limitation or

restriction of rights, the Optionee agrees, as a condition of being awarded such rights, to make such repayments.

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

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

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

7. Nature of Grant. In accepting the Option, the Optionee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by YUM! and is discretionary in nature;

- (b) all decisions with respect to future option grants, if any, will be at the sole discretion of YUM!;
- (c) the Optionee is voluntarily participating in the Plan;
- (d) the Options and any shares of Stock (or cash) acquired under the Plan are not part of normal or expected compensation or salary;
- (e) the Option grant and the Optionee's participation in the Plan shall not be interpreted to form an employment contract or relationship with YUM! or the Employer or any Subsidiary or affiliate of YUM!;
- (f) the future value of the underlying shares is unknown and cannot be predicted with certainty;
- (g) if the underlying shares do not increase in value, the Options will have no value;
- (h) in the event of termination of Optionee's employment with the Company (whether or not in breach of local labor laws), the Optionee's right to receive the Options and vest in the Options under the Plan, if any, will terminate effective as of the date that Optionee is no longer actively employed with the Company (subject to the terms and conditions of the Agreement) and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of termination of employment with the Company (whether or not in breach of local labor laws), the Optionee's right to exercise the Options after termination of employment, if any, will be measured by the last day of Optionee's active employment with the Company (subject to the terms and conditions of the Agreement) and will not be extended by any notice period mandated under local law. The Committee shall have the exclusive discretion to determine when the Optionee is no longer actively employed with the Company for purposes of his or her Option grant;
- (i) by accepting the stock options covered by this Agreement, Optionee agrees to an amendment to the terms of all prior Global YUM! Nonqualified Stock Option Agreements between the Company and Optionee pursuant to which there are currently unvested or unexercised Options outstanding, to add a new Section 13 to such Agreements which is identical to Section 13, Restrictive Covenants, of this Agreement.
- (j) for Optionees who reside outside the U.S., the following additional provisions shall apply:
 - (i) the Options and any shares (or cash) acquired under the Plan are not intended to replace any pension rights or compensation;
 - (ii) the Options and the shares (or cash) acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to YUM! or to the Employer and are outside the scope of the Optionee's employment contract, if any; such items shall not be included in or part of any calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits

or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for YUM! or the Employer; and

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

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

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

10. Nontransferability. These Options are personal to the Optionee and, during his or her lifetime, may be exercised only by the Optionee. The Options shall not be transferable or assignable, other than by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void without the express consent of the Committee. In the event of the Optionee's death, the Options may be exercised by the Optionee's designated beneficiary (or, if none, his or her legal representative).

11. Change in Control. Notwithstanding anything in this Agreement to the contrary (including Section 4 above), if the Optionee is employed on the date of a Change in Control (as defined in the Plan), and the Optionee's employment is involuntarily terminated by the Company (other than for cause) on or within two years following the Change in Control, the outstanding Options shall become fully and immediately exercisable. If the employment of the Optionee is terminated by the Company (other than for cause) on or within two years following a Change in Control, all outstanding Options shall continue to be exercisable at any time within three years after the date of such termination of employment, but in no event after the end of the Option Term.

12. Notices. Any notice to be given to YUM! under the terms of this Agreement shall be addressed to YUM! at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A., Attention: Vice President, Compensation and Benefits, or such other address (including any email address) as YUM! may hereafter designate to the Optionee. Any such notice shall be deemed to have been given when

personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal or other official postal service for the Optionee's country.

13. **Restrictive Covenants.** By accepting the Options, and in consideration of these rights and receipt of confidential information from the Company during his or her employment, Optionee specifically agrees to the restrictive covenants contained in this Section 13 (the "Restrictive Covenants") and agrees that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company. Sections 13(b) and 13(c) apply to Optionees who are Level 15 employees (or the equivalent of Level 15 employee) of the Company or above.

(a) **Confidentiality.** In consideration for receiving the Options, Optionee acknowledges that the Company is engaged in a competitive business environment and has a substantial interest in protecting its confidential information. Optionee agrees that he or she has received and continues to receive, by virtue of his or her position with the Company, access to confidential information (including trade secrets) related to the Company and its business, and Optionee agrees, during his or her employment with the Company and thereafter, and in consideration of receiving such information to maintain the confidentiality of the Company's confidential information and to use such confidential information for the exclusive benefit of the Company, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) **Competitive Activity.** During Optionee's employment with the Company and for one year following the termination of Optionee's employment for any reason whatsoever, Optionee agrees and covenants that: Optionee shall not either directly or indirectly, alone or in conjunction with any other party or entity, perform any services, work or consulting for one or more Competitor Companies anywhere in the world. A "Competitor Company" shall be defined as: (i) any company or other entity engaged as a "quick service restaurant" ("QSR") and (ii) any company or other entity that is a delivery-oriented restaurant; and (iii) any entity under common control with an entity included in (i) or (ii), above. Competitor Companies covered under this definition include, but are not limited to: McDonald's, Domino's Pizza, Starbucks, Wendy's, Papa John's, Restaurant Brands International (including Burger King, Tim Horton's and Popeye's Chicken), Culver's, In-N-Out Burger, Sonic, Hardee's, Arby's, Jack-in-the-Box, Chick-fil-A, Chipotle, Q-doba, Panera Bread, Subway, Dunkin' Brands, Five Guys, Bojangles, Church's, Del Taco, Little Caesars, Subway, Dico's, Jollibee, Blaze, MOD Pizza, Olive Garden, JAB Holding Company, Darden Restaurants, Inspire Brands and Focus Brands, and their respective organizations, partnerships, ventures, sister companies, franchisees, affiliates, franchisee organizations, cooperatives or any organization in which they have an interest and which are involved in the QSR restaurant industry anywhere in the world, or which otherwise compete with Yum Brands, Inc.

In the event that any portion of this Section 13(b) shall be determined by a court or arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court or arbitrator in such action. Optionee acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders

its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

Notwithstanding the forgoing, the provisions of this Section 13(b) are not applicable to an Optionee who is a resident of California and provides the majority of his or her services to the Company within California.

(c) Non-Solicitation. During Optionee's employment and for eighteen months following the later of (i) termination of Optionee's employment for any reason whatsoever or (ii) the last scheduled award vesting date, Optionee shall not:

- (i) induce or attempt to induce any employee of the Company to leave the employ of Company;
- (ii) induce or attempt to induce any employee of the Company to work for, render services to, or provide advice to any third party;
- (iii) induce or attempt to induce any current or former employee of the Company to supply confidential information of Company to any third party, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal;
- (iv) employ, or otherwise pay for services rendered by, any employee of the Company in any business enterprise with which Optionee may be associated, connected or affiliated;
- (v) induce or attempt to induce any customer, franchisee, supplier, licensee, licensor or other business relation of Company to cease doing business with Company, or in any way interfere with the then existing business relationship between any such customer, franchisee, supplier, licensee, licensor or other business relation and Company; or
- (vi) assist, solicit, or encourage any other third party, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by Optionee. In particular, Optionee will not, directly or indirectly, induce any employee of Company to carry out any such activity.

Notwithstanding the forgoing, the provisions of this Section 13(c) are not applicable to a Optionee who is a resident of California and provides the majority of his or her services to the Company within California.

The Company and Optionee agree that the provisions of this Section 13 contain restrictions that are not greater than necessary to protect the interests of the Company.

(d) Partial Invalidation. If any portion of this Section 13 is determined by a court or arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it

reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. Optionee acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(e) **Clawback & Recovery.** Optionee agrees that a breach of any of the Restrictive Covenants set forth in this Section 13 would cause material and irreparable harm to the Company. Accordingly, Optionee agrees that if the Committee, in its sole discretion, determines that Optionee has violated any of the Restrictive Covenants contained in this Section 13, either during employment with the Company or after such employment terminates for any reason, the following rules shall apply:

- (i) The Committee may (A) terminate such Optionee's participation in the Plan and/or (B) send a "Recapture Notice" that will (1) cancel all or a portion of this or any outstanding Options, (2) require the return of any shares of Stock received upon exercise of this or any prior Options and/or (3) require the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such exercise or exercises.
- (ii) Under this Section 13, the obligation to return shares of Stock received and/or to reimburse the Company for any net proceeds received, pursuant to a Recapture Notice, shall be limited to shares and/or proceeds received by Optionee within the period that is one year prior to and one year following the Optionee's termination of employment.
- (iii) The Committee has sole and absolute discretion to take action or not to take action pursuant to this Section 13 upon determination of a breach of a Restrictive Covenant, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.
- (iv) Any action taken by the Committee pursuant to this Section 13(e) is without prejudice to any other action the Committee may choose to take upon determination that the Optionee has violated a Restrictive Covenant contained herein.
- (v) This Section 13(e) will cease to apply upon a Change in Control.

(f) **Right of Set Off.** By accepting the Options, Optionee agrees that the Company may set off any amount owed to Optionee (including wages or other compensation, fringe benefits or vacation pay) against any amounts Optionee owes under this Section 13.

14. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to YUM!, whether by merger, consolidation or the sale of all or substantially all of YUM!'s assets. YUM! will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of YUM! to expressly

assume and agree to perform this Agreement in the same manner and to the same extent that YUM! would be required to perform if no such succession had taken place.

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

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

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

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

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

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

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

more information on the consequences of the Optionee's refusal to consent or withdrawal of consent, the Optionee understands that he or she may contact his or her local human resources representative.

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

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

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

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

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

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

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

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

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

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

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

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

(c) "Special Termination" means, (i) with respect to an Optionee who has been approved as a franchisee by YUM! or any of its affiliates, the Optionee's termination of employment with the Company (other than a termination by the Company for cause) to become, immediately following such termination, a franchisee of YUM! or one of its affiliates. Optionees who do not meet the foregoing requirements may not have a Special Termination and (ii) with respect to any Participant, the Participant's termination of employment with the Company (other than a termination by the Company for cause) to become, immediately following such termination, an employee of a franchisee of YUM! or one of its Subsidiaries as approved by an officer of YUM!.

APPENDIX
ADDITIONAL TERMS AND CONDITIONS OF THE
YUM BRANDS, INC.
GLOBAL NON-QUALIFIED STOCK OPTION AGREEMENT

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Option granted to the Optionee under the Plan if the Optionee resides in one of the non-U.S. countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which the Optionee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of **February 2015**. Such laws are often complex and change frequently. As a result, YUM! strongly recommends that the Optionee not rely on the information in this Appendix as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time that the Optionee exercises the Option or sell shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Optionee's particular situation and YUM! is not in a position to assure the Optionee of any particular result. Accordingly, the Optionee is advised to seek appropriate professional advice as to how the relevant laws in the Optionee's country may apply to his or her situation.

Finally, the Optionee understands that if the Optionee is a citizen or resident of a country other than the one in which the Optionee is currently working, transfers employment after the date of grant, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Optionee, and YUM! shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 (*e.g.*, to transfer the Exercise Price or proceeds from the sale of shares acquired under the Plan) must be reported to the German Federal Bank (*Bundesbank*). The report must be filed electronically by the 5th day of the month following the month in which the payment was received. The form of the report (Allgemeine Meldeportal Statistik) can be obtained via the Bundesbank's website (www.bundesbank.de) in English and German. The Optionee will be responsible for satisfying this reporting obligation.

HONG KONG

Terms and Conditions

Securities Law Compliance. To facilitate compliance with securities laws in Hong Kong, the Optionee agrees not to sell the shares issued upon exercise of the Options within six months of the Option grant date.

Notifications

Securities Law Notification. *Warning: This offer of Options and the shares to be issued upon exercise of the Options do not constitute a public offer of securities and are available only to employees of YUM! or a Subsidiary. The Agreement, including this Appendix, and the Plan have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong nor have the documents been reviewed by any regulatory authority in Hong Kong. The Optionee is advised to exercise caution in relation to the offer. If the Optionee has any doubt about any of the contents of the Agreement, this Appendix or the Plan, the Optionee should obtain independent professional advice.*

NETHERLANDS

No country-specific requirements apply.

SPAIN

Terms and Conditions

Nature of Grant. The following provision supplements Section 7 of the Agreement:

In accepting the Options, the Optionee consents to participation in the Plan and acknowledges that he or she has received a copy of the prospectus (also referred to as the Memorandum) and that the Plan will be provided upon request.

The Optionee understands that YUM! has unilaterally, gratuitously, and in its sole discretion decided to grant Options under the Plan to individuals who meet the eligibility requirements set forth in the Plan. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind YUM! or any Subsidiary or affiliate, other than to the extent set forth in the Agreement. Consequently, the Optionee understands that the Options are offered on the assumption and condition that the Options and any shares acquired under the Plan are not part of any employment contract (either with YUM! or any Subsidiary) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or any other right whatsoever. Further, the Optionee understands and freely accepts that there is no guarantee that any benefit whatsoever shall arise from any gratuitous and discretionary grant of the Options since the future value of the underlying shares is unknown and unpredictable. In addition, the Optionee understands that this offer would not be made but for the assumptions and conditions referred to herein; thus, the Optionee acknowledges and freely accepts that, should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the Options shall be null and void.

Further, the Optionee understands that in the event of his or her termination of employment, the Option may cease vesting immediately effective on the date the Optionee is no longer actively employed (as determined in accordance with Section 7(g) of the Agreement), unless otherwise specifically provided in the “Effect of Death, Retirement, Total Disability and Termination of Employment” section of the Agreement. This may be the case, for example, even if (1) the Optionee is considered to be unfairly dismissed without good cause; (2) the Optionee is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) the Optionee terminates service due to a change of work location, duties or any other employment or contractual condition; (4) the Optionee terminates service due to a unilateral breach of contract by YUM! or a Subsidiary; or (5) the Optionee employment terminates for any other reason whatsoever. The Optionee acknowledges that the Optionee has read and specifically accepts the conditions referred to in the “Exercisability,” “Effect of Death, Retirement, Total Disability and Termination of Employment” and “Nature of Grant” sections of the Agreement.

Notifications

Exchange Control Information. Exchange Control Notification. The Optionee must declare the acquisition of shares to the Dirección General de Comercio e Inversiones (the “DGCI”), which is a department of the Ministry of Industry, Tourism and Commerce, for statistical purposes. The Optionee must also declare ownership of any shares by filing a Form D-6 with the Directorate of Foreign Transactions each January while the shares are owned. In addition, the sale of shares must also be declared on Form D-6 filed with the DGCI in January, unless the sale proceeds exceed the applicable threshold, in which case, the filing is due within one month after the sale.

Foreign Asset/Account Reporting Information. The Optionee is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed €1,000,000.

Further, effective January 1, 2013, to the extent that the Optionee holds shares and/or has bank accounts outside Spain with a value in excess of €50,000 (for each type of asset) as of December 31 each year, the Optionee will be required to report information on such assets in his or her tax return (tax form 720) for such year. After such shares and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported shares or accounts increases by more than €20,000. If the value of such shares and/or accounts as of December 31 does not exceed €50,000, a summarized form of declaration may be presented.

Securities Law Notification. The grant of Options and the shares issued pursuant to the exercise of the Options are considered a private placement outside of the scope of Spanish laws on public offerings and issuances of securities.

VIETNAM

No country-specific provisions, provided the Participant is not a Vietnamese national. ***If the Participant is a Vietnamese national, different terms and conditions apply.***

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

YUM! BRANDS, INC.

By: /s/ Tracy Skeans
Tracy Skeans
YUM! Brands, Inc. Chief Transformation and People Officer

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Section 4: EX-10.13.3 (EXHIBIT 10.13.3)

YUM! BRANDS, INC. **LONG TERM INCENTIVE PLAN**

FORM OF GLOBAL YUM! STOCK APPRECIATION RIGHTS AGREEMENT

This Global YUM! Stock Appreciation Rights Agreement is made as of the ___ day of _____, by and between YUM! Brands, Inc., a North Carolina corporation having its principal office at 1441 Gardiner Lane, Louisville, Kentucky 40213, U.S.A. (“YUM!”), and [Insert] (the “Participant”).

W I T N E S S E T H:

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

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

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

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

NOW, THEREFORE, it is mutually agreed as follows:

1. Grant. In consideration of the Participant remaining in the employ of YUM! or one of its divisions or direct or indirect Subsidiaries (collectively the “Company”), YUM! hereby grants to the Participant, as of _____, 20__ (the “Grant Date”), on the terms and conditions set forth in this Global YUM! Stock Appreciation Rights Agreement, including any country-specific terms set forth in the attached appendix (the “Appendix” and together with the Global YUM! Stock Appreciation Rights Agreement, the “Agreement”) and the Plan, stock appreciation rights with respect to an aggregate number of shares of Stock set forth in the Participant’s letter from YUM!’s Chief People Officer (the “Covered Shares”), with an Exercise Price of \$_____ per

share, which was the Closing Value (as defined in Section 25) of a share of Stock on the Grant Date.

2. Exercisability.

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

Shares at each of (1) the two-year anniversary of the Grant Date, (2) the three-year anniversary of the Grant Date, and (3) the four-year anniversary of the Grant Date, respectively.

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

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

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

4. Effect of Termination of Employment, Death, Retirement and Special Termination.

(a) The Participant shall have a period of 90 days following the Participant’s termination of employment with the Company (as determined in accordance with Section 7(h) below) to exercise YUM! Stock Appreciation Rights that are vested and exercisable as of the Participant’s last day of employment, but such exercise period shall not extend beyond the end of the YUM! Stock Appreciation Right Term. Except as otherwise provided in this Section 4 or as otherwise provided by the Committee, the YUM! Stock Appreciation Rights shall automatically expire, and no YUM! Stock Appreciation Right may be exercised after, such 90-day period (or, if earlier, the last day of the YUM! Stock Appreciation Right Term).

(b) In the event the Participant’s employment with the Company is involuntarily terminated by the Company other than for cause, including, without limitation, as a result of (i) a

disposition (or similar transaction) with respect to an identifiable Company business or segment (“Business”), and in accordance with the terms of the transaction, the Participant and a substantial portion of the other employees of the Business continue in employment with such Business or commence employment with its acquiror, (ii) the elimination of the Participant’s position within the Company, or (iii) the selection of the Participant for work force reduction (whether voluntary or involuntary), the YUM! Stock Appreciation Rights will pro rata vest on a monthly basis for the vesting period in which the termination occurs such that a portion of the Participant’s otherwise unvested YUM! Stock Appreciation Rights for the vesting period in which the termination occurs will vest based on the time the Participant was employed during such vesting period up to the last day of employment (as determined in accordance with Section 7(h) below) and all unvested YUM! Stock Appreciation Rights will be forfeited. In the event the Participant’s employment with the Company is terminated for cause, the Participant’s outstanding YUM! Stock Appreciation Rights will be forfeited and become unexercisable upon such termination unless otherwise provided by the Committee.

(c) In the event the Participant’s employment with the Company is terminated by reason of Participant’s death, the YUM! Stock Appreciation Rights will immediately vest as of the date of Participant’s death. The Participant’s vested YUM! Stock Appreciation Rights vested pursuant to this paragraph may be exercised before the earlier of: (i) the five year anniversary of the Participant’s death or (ii) the end of the Stock Appreciation Right Term set forth in this Agreement.

(d) In the event the Participant’s employment with the Company is terminated by reason of Retirement (as defined in Section 25), and such Participant is Retirement eligible on his or her date of Retirement, the Participant’s YUM! Stock Appreciation Rights will continue to vest following Participant’s Retirement through the fourth anniversary of the Grant Date, provided that Participant remains actively employed by YUM! through the one year anniversary of the Grant Date. The Participant’s vested YUM! Stock Appreciation Rights that vest pursuant to this paragraph must be exercised before the earlier of: (i) the five year anniversary of the Participant’s Retirement or (ii) the end of the Stock Appreciation Right Term set forth in this Agreement and all unvested YUM! Stock Appreciation Rights will be forfeited.

(e) In the event the Participant’s employment with the Company is terminated by reason of Special Termination (as defined in Section 25), the YUM! Stock Appreciation Rights will vest in accordance with the following: (i) if the Special Termination occurs as a result of a Special Termination as defined in Section 25(c)(i), pro rata on a monthly basis for the vesting period in which the termination occurs such that a portion of the Participant’s otherwise unvested YUM! Stock Appreciation Rights for the vesting period in which the termination occurs will vest based on the time the Participant was employed during the vesting period up to the last day of employment (as determined in accordance with Section 7(h) below) and all unvested YUM! Stock Appreciation Rights will be forfeited and (ii) if the Special Termination occurs as a result of a Special Termination as defined in Section 25(c)(ii), in accordance with the vesting schedule otherwise applicable to the YUM! Stock Appreciation Rights as set forth in this Agreement as though employment with the franchisee were not termination with the Company. The Participant’s vested YUM! Stock Appreciation Rights may be exercised during the YUM! Stock Appreciation Right Term in accordance with this Agreement.

5. Compensation Recovery Policy

(a) The Participant acknowledges and agrees that the YUM! Stock Appreciation Rights granted to Participant under this Agreement shall be subject to the YUM! Brands, Inc. Compensation Recovery Policy, amended and restated January 1, 2015 (“Compensation Recovery Policy”), and as in effect on the date of this Agreement.

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

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

Prior to any relevant taxable, tax and/or social security contribution withholding event, the Participant shall pay or make adequate arrangements satisfactory to YUM! and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes YUM! and/or the Employer, at their sole discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following: (i) withholding from the Participant’s wages or other cash compensation paid to him or her by YUM! and/or the Employer; or (ii) withholding from the proceeds of the sale of shares acquired upon exercise of a YUM! Stock Appreciation Right, either

through a voluntary sale or through a mandatory sale arranged by YUM! (on the Participant's behalf pursuant to this authorization); or (iii) withholding in shares to be issued upon exercise of the YUM! Stock Appreciation Right. To avoid negative accounting treatment, YUM! or the Employer will withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares, for tax purposes, the Participant will be deemed to have been issued the full number of shares subject to the exercised YUM! Stock Appreciation Rights, notwithstanding that a number of shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

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

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

- (a) the Plan is established voluntarily by YUM! and is discretionary in nature;
- (b) all decisions with respect to future stock appreciation right grants, if any, will be at the sole discretion of YUM!;
- (c) the Participant is voluntarily participating in the Plan;
- (d) the YUM! Stock Appreciation Rights and any shares of Stock (or cash) acquired under the Plan are not part of normal or expected compensation or salary;
- (e) the YUM! Stock Appreciation Rights grant and the Participant's participation in the Plan shall not be interpreted to form an employment contract or relationship with YUM! or the Employer or any Subsidiary or affiliate of YUM!;
- (f) the future value of the underlying shares is unknown and cannot be predicted with certainty;
- (g) if the underlying shares do not increase in value, the YUM! Stock Appreciation Right will have no value;
- (h) in the event of termination of Participant's employment with the Company (whether or not in breach of local labor laws), the Participant's right to receive the YUM! Stock Appreciation Rights and vest in the YUM! Stock Appreciation Rights under the Plan, if any, will terminate effective as of the date that Participant is no longer actively employed with the Company (subject to the terms and conditions of this Agreement) and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or

similar period pursuant to local law); furthermore, in the event of termination of employment with the Company (whether or not in breach of local labor laws), the Participant's right to exercise the YUM! Stock Appreciation Rights after termination of employment, if any, will be measured by the Participant's last day of active employment with the Company (subject to the terms and conditions of this Agreement) and will not be extended by any notice period mandated under local law. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively employed with the Company for purposes of his or her YUM! Stock Appreciation Right grant;

- (i) by accepting the YUM! Stock Appreciation Rights covered by this Agreement, Participant agrees to an amendment to the terms of all prior Global YUM! Stock Appreciation Rights Agreements between the Company and Participant pursuant to which there are currently unvested or unexercised YUM! Stock Appreciation Rights outstanding, to add a new Section 13 to such Agreements which is identical to Section 13, Restrictive Covenants, of this Agreement.
- (j) for Participants who reside outside the U.S., the following additional provisions shall apply:
 - (i) the YUM! Stock Appreciation Rights and any shares (or cash) acquired under the Plan are not intended to replace any pension rights or compensation;
 - (ii) the YUM! Stock Appreciation Rights and the shares (or cash) acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to YUM! or to the Employer and are outside the scope of Participant's employment contract, if any; such items shall not be included in or part of any calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for YUM! or the Employer; and
 - (iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the YUM! Stock Appreciation Rights resulting from termination of the Participant's employment by YUM! or the Employer (whether or not in breach of local labor laws) and in consideration of the grant of the YUM! Stock Appreciation Rights to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company, waives his or her ability, if any, to bring any such claim and releases the Company from any such claim if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims.

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

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

10. Nontransferability. These YUM! Stock Appreciation Rights are personal to the Participant and, during his or her lifetime, may be exercised only by the Participant. The YUM! Stock Appreciation Rights shall not be transferable or assignable, other than by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void without the express consent of the Committee. In the event of the Participant's death, the YUM! Stock Appreciation Rights may be exercised by the Participant's designated beneficiary (or, if none, his or her legal representative).

11. Change in Control. Notwithstanding anything in this Agreement to the contrary (including Section 4 above), if the Participant is employed on the date of a Change in Control (as defined in the Plan), and the Participant's employment is involuntarily terminated by the Company (other than for cause) on or within two years following the Change in Control, the outstanding YUM! Stock Appreciation Rights shall become fully and immediately exercisable. If the employment of the Participant is terminated by the Company (other than for cause) on or within two years following a Change in Control, all outstanding YUM! Stock Appreciation Rights shall continue to be exercisable at any time within three years after the date of such termination of employment, but in no event after the end of the YUM! Stock Appreciation Right Term.

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

13. Restrictive Covenants. By accepting the YUM! Stock Appreciation Rights, and in consideration of these rights and receipt of confidential information from the Company during his or her employment, Participant specifically agrees to the restrictive covenants contained in this Section 13 (the "Restrictive Covenants") and agrees that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company. Sections 13(b) and 13(c) apply to Participants who are Level 15 employees (or the equivalent of Level 15 employee) of the Company or above.

(a) Confidentiality. In consideration for receiving the YUM! Stock Appreciation Rights, Participant acknowledges that the Company is engaged in a competitive business environment and has a substantial interest in protecting its confidential information. Participant agrees that he or she has received and continues to receive, by virtue of his or her position with the Company, access to confidential information (including trade secrets) related to the Company and its business, and Participant agrees, during his or her employment with the Company and thereafter, and in consideration of receiving such information to maintain the confidentiality of the Company's confidential information and to use such confidential information for the exclusive benefit of the Company, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) Competitive Activity. During Participant's employment with the Company and for one year following the termination of Participant's employment for any reason whatsoever, Participant agrees and covenants that: Participant shall not either directly or indirectly, alone or in conjunction with any other party or entity, perform any services, work or consulting for one or more Competitor Companies anywhere in the world. A "Competitor Company" shall be defined as: (i) any company or other entity engaged as a "quick service restaurant" ("QSR") and (ii) any company or other entity that is a delivery-oriented restaurant; and (iii) any entity under common control with an entity included in (i) or (ii), above. Competitor Companies covered under this definition include, but are not limited to: McDonald's, Domino's Pizza, Starbucks, Wendy's, Papa John's, Restaurant Brands International (including Burger King, Tim Horton's and Popeye's Chicken), Culver's, In-N-Out Burger, Sonic, Hardee's, Arby's, Jack-in-the-Box, Chick-fil-A, Chipotle, Q-doba, Panera Bread, Subway, Dunkin' Brands, Five Guys, Bojangles, Church's, Del Taco, Little Caesars, Subway, Dico's, Jollibee, Blaze, MOD Pizza, Olive Garden, JAB Holding Company, Darden Restaurants, Inspire Brands and Focus Brands, and their respective organizations, partnerships, ventures, sister companies, franchisees, affiliates, franchisee organizations, cooperatives or any organization in which they have an interest and which are involved in the QSR restaurant industry anywhere in the world, or which otherwise compete with Yum Brands, Inc.

In the event that any portion of this Section 13(b) shall be determined by a court or arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court or arbitrator in such action. Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

Notwithstanding the forgoing, the provisions of this Section 13(b) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California.

(c) Non-Solicitation. During Participant's employment and for eighteen months following the later of (i) termination of Participant's employment for any reason whatsoever or (ii) the last scheduled award vesting date, Participant shall not:

- (i) induce or attempt to induce any employee of the Company to leave the employ of Company;
- (ii) induce or attempt to induce any employee of the Company to work for, render services to, or provide advice to any third party;
- (iii) induce or attempt to induce any current or former employee of the Company to supply confidential information of Company to any third party, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal;
- (iv) employ, or otherwise pay for services rendered by, any employee of the Company in any business enterprise with which Participant may be associated, connected or affiliated;
- (v) induce or attempt to induce any customer, franchisee, supplier, licensee, licensor or other business relation of Company to cease doing business with Company, or in any way interfere with the then existing business relationship between any such customer, franchisee, supplier, licensee, licensor or other business relation and Company; or
- (vi) assist, solicit, or encourage any other third party, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by Participant. In particular, Participant will not, directly or indirectly, induce any employee of Company to carry out any such activity.

Notwithstanding the forgoing, the provisions of this Section 13(c) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California.

The Company and Participant agree that the provisions of this Section 13 contain restrictions that are not greater than necessary to protect the interests of the Company.

(d) Partial Invalidity. If any portion of this Section 13 is determined by a court or arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(e) **Clawback & Recovery.** Participant agrees that a breach of any of the Restrictive Covenants set forth in this Section 13 would cause material and irreparable harm to the Company. Accordingly, Participant agrees that if the Committee, in its sole discretion, determines that Participant has violated any of the Restrictive Covenants contained in this Section 13, either during employment with the Company or after such employment terminates for any reason, the following rules shall apply:

- (i) The Committee may (A) terminate such Participant's participation in the Plan and/or (B) send a "Recapture Notice" that will (1) cancel all or a portion of this or any outstanding YUM! Stock Appreciation Rights, (2) require the return of any shares of Stock received upon exercise of this or any prior YUM! Stock Appreciation Rights and/or (3) require the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such exercise or exercises.
- (ii) Under this Section 13, the obligation to return shares of Stock received and/or to reimburse the Company for any net proceeds received, pursuant to a Recapture Notice, shall be limited to shares and/or proceeds received by Participant within the period that is one year prior to and one year following the Participant's termination of employment.
- (iii) The Committee has sole and absolute discretion to take action or not to take action pursuant to this Section 13 upon determination of a breach of a Restrictive Covenant, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.
- (iv) Any action taken by the Committee pursuant to this Section 13(e) is without prejudice to any other action the Committee may choose to take upon determination that the Participant has violated a Restrictive Covenant contained herein.
- (v) This Section 13(e) will cease to apply upon a Change in Control.

(f) **Right of Set Off.** By accepting the YUM! Stock Appreciation Rights, Participant agrees that the Company may set off any amount owed to Participant (including wages or other compensation, fringe benefits or vacation pay) against any amounts Participant owes under this Section 13.

14. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to YUM!, whether by merger, consolidation or the sale of all or substantially all of YUM!'s assets. YUM! will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of YUM!

to expressly assume and agree to perform this Agreement in the same manner and to the same extent that YUM! would be required to perform if no such succession had taken place.

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

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

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

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

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

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

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

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

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

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

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

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

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

21. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and to agree to

participate in the Plan through an on-line or electronic system established and maintained by YUM! or a third party designated by YUM!.

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

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

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

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

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

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

(c) "Special Termination" means, (i) with respect to a Participant who has been approved as a franchisee by YUM! or any of its affiliates, the Participant's termination of employment with the Company (other than a termination by the Company for cause) to become,

immediately following such termination, a franchisee of YUM! or one of its affiliates. Participants who do not meet the foregoing requirements may not have a Special Termination, and (ii) with respect to any Participant, the Participant's termination of employment with the Company (other than a termination by the Company for cause) to become, immediately following such termination, an employee of a franchisee of YUM! or one of its Subsidiaries as approved by an officer of YUM!.

APPENDIX
ADDITIONAL TERMS AND CONDITIONS OF THE
YUM! BRANDS, INC.
GLOBAL YUM! STOCK APPRECIATION RIGHTS AGREEMENT

Terms and Conditions

This Appendix includes additional terms and conditions that govern the YUM! Stock Appreciation Right (the “SAR”) granted to the Participant under the Plan if the Participant resides in one of the non-U.S. countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of **February 2015**. Such laws are often complex and change frequently. As a result, YUM! strongly recommends that the Participant not rely on the information in this Appendix as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time that the Participant exercises the SAR or sells shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant’s particular situation and YUM! is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant’s country may apply to his or her situation.

Finally, the Participant understands that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfers employment after the Grant Date, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Participant, and YUM! shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

AUSTRALIA

Terms and Conditions

Australian Offer Document. The Participant understands that the offering of the Plan in Australia is intended to qualify for exemption from the prospectus requirements under Class Order 14/1000 issued by the Australian Securities and Investments Commission. Participation in the Plan is subject to the terms and conditions set forth in the Australian Offer Document, the Plan and this Agreement provided to Participant.

Notification

Securities Law Information. If the Participant acquires shares under the Plan and offers such shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Participant should obtain legal advice on his or her disclosure obligations prior to making any such offer.

BRAZIL

Terms and Conditions

Acknowledgment of Nature of Plan and SARs. This provision supplements Section 7 of the Agreement.

By accepting the SAR, the Participant acknowledges that (i) he or she is making an investment decision; (ii) the shares will be issued only if the vesting conditions set forth in this Agreement are satisfied and the Participant exercises the SARs prior to their expiration; and (iii) the value of the underlying shares is not fixed and may increase or decrease in value between the Grant Date and exercise of the SARs without compensation to Participant.

Notifications

Exchange Control Information. Participants who are resident or domiciled in Brazil will be required to submit annually a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000. Assets and rights that must be reported include shares acquired under the Plan.

CANADA

Terms and Conditions

Termination of Employment. This provision supplements Section 7(h) of the Agreement.

In the event of the Participant's involuntary termination of employment (whether or not in breach of local labor laws), the Participant's right to receive and vest in the SAR under the Plan, if any, will terminate effective as of (1) the date the Participant is no longer actively providing service to YUM! or the Employer, or at the discretion of the Committee, (2) the date the Participant receives notice of termination of service from YUM! or the Employer if earlier than (1), regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to, statutory law, regulatory law and/or common law). The Participant's right, if any, to acquire shares pursuant to a SAR after termination of employment will be measured by the date of termination of his or her active employment and will not be extended by any notice period mandated under local law. The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing service for purposes of the SAR.

Data Privacy. The following provision will apply if the Participant is a resident of Quebec and supplements Section 16 of the Agreement:

The Participant hereby authorizes YUM! and YUM!'s representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes YUM! and any Subsidiary or affiliate and the Plan administrator to disclose and discuss the Plan with their advisors. The Participant further authorizes the Employer to record such information and to keep such information in the Participant's employee file.

French Language Provision. The following provision will apply if the Participant is a resident of Quebec:

The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

Notification

Securities Law Notice. The Participant is permitted to sell shares acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the shares are listed. YUM!'s shares are currently listed on the New York Stock Exchange.

Foreign Asset/Account Reporting Information. Foreign property, including shares, SARs, and other rights to receive shares of a non-Canadian company held by a Canadian resident employee must generally be reported annually on a Form T1135 (Foreign Income Verification Statement) if the total cost of the employee's foreign property exceeds \$100,000 at any time during the year. Thus, if the Participant is a Canadian resident employee, the SARs must be reported - generally at a nil cost - if the \$100,000 cost threshold is exceeded because other foreign property is held by the Participant.

CHINA

Terms and Conditions

Exercise. The following supplements Section 3 of the Agreement:

All shares subject to the exercised SAR will be immediately sold on the Participant's behalf pursuant to this authorization and the proceeds of sale, less Tax-Related Items and any broker's fees or commissions, will be paid to the Participant, by the Employer, through local payroll.

FRANCE

Terms and Conditions

Consent to Receive Information in English. By accepting the SAR, the Participant confirms having read and understood the Plan and Agreement, including all terms and conditions included therein, which were provided in the English language. The Participant accepts the terms of those documents accordingly.

En acceptant cette SAR, le Participant confirme avoir lu et compris le Plan et le Contrat y relatifs, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Le Participant accepte les dispositions de ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. Participant must declare all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) in his or her annual income tax return.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 (*e.g.*, to transfer proceeds from the sale of shares acquired under the Plan into France) must be reported to the German Federal Bank (*Bundesbank*). The report must be filed electronically by the 5th day of the month following the month in which the payment was received. The form of the report (Allgemeine Meldeportal Statistik) can be obtained via the Bundesbank's website (www.bundesbank.de) in English and German. The Participant will be responsible for satisfying this reporting obligation.

INDIA

Notifications

Exchange Control Information. The Participant understands that he or she must repatriate any proceeds from the sale of shares acquired under the Plan to India within 90 days of receipt. The Participant must also repatriate any dividends received in relation to the shares to India within 180 days of receipt. The Participant will receive a foreign inward remittance certificate (“FIRC”) from the bank where the Participant deposits the foreign currency. The Participant should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation. It is the Participant's responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. The Participant understands that he or she is required to declare foreign bank accounts and any foreign financial assets (including shares held outside India) in his or her annual tax return. The Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

ITALY

Terms and Conditions

Data Privacy. This provision replaces Section 16 of the Agreement:

The Participant understands that the Employer and YUM! and any Subsidiary may hold certain personal information about him or her, including, but not limited to, the Participant's name, home address, telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Stock or directorships held in YUM!, details of all SARs and other awards or entitlements to shares awarded, canceled, exercised, vested, unvested, settled or outstanding in the Participant's favor ("Data"), for the purpose of implementing, managing and administering the Plan.

The Participant also understands that providing YUM! with Data is necessary for the performance of the Plan and that his or her refusal to provide such Data would make it impossible for YUM! to perform its contractual obligations and may affect Participant's ability to participate in the Plan. The controller of personal data processing is YUM! with registered offices at 1441 Gardiner Lane, Louisville, Kentucky 40213, United States and, pursuant to Legislative Decree no. 196/2003, its representative in Italy for privacy purposes is KFC Italy S.r.l., with registered offices at c/o Cocuzza & Associati, Via San Giovanni Sul Muro 18, Milan.

The Participant understands that Data will not be publicized or used for direct marketing purposes. The Participant further understand that the Employer and YUM! and any Subsidiary will transfer Data among themselves as necessary for the purposes of implementing, administering and managing the Participant's participation in the Plan, and that the Employer and YUM! and any Subsidiary may each further transfer Data to Merrill Lynch or such other stock plan service provider as may be selected by YUM!, which is assisting YUM! with the implementation, administration and management of the Plan. Data may also be transferred to certain other third parties assisting YUM! with the implementation, administration and management of the Plan, including any transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any shares acquired under the Plan subject to the terms of the Agreement. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing the Participant's participation in the Plan. The Participant understands that these recipients may be located inside or outside of the European Economic Area, such as in the United States or elsewhere. Should YUM! exercise its discretion in suspending all necessary legal obligations connected with the administration and management of the Plan, it will delete Data as soon as it has completed all of the necessary legal obligations connected with such administration and management of the Plan.

The Participant understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security

provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The use, processing and transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require the Participant's consent thereto, as such use, processing and transfer is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan, as discussed above. The Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, the Participant has the right, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the use, processing and transfer of Data. For more information on the collection, use, processing and transfer set forth in this document, the Participant understands that he or she may contact the human resources representative designated by the Employer and/or YUM!.

Grant Document Acknowledgment. In accepting the SAR, the Participant acknowledges that he or she has received a copy of the prospectus (also referred to as the Memorandum) and the Agreement and has reviewed the documents in their entirety and fully understands and accepts all provisions contained therein.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provisions of the Agreement: Section 2 Exercisability; Section 4 Effect of Termination of Employment, Death and Retirement; Section 6 Responsibility for Taxes; Section 7 Nature of Grant; Section 19 Governing Law & Venue; Section 25 Appendix and the Data Privacy section of this Appendix (above).

Notifications

Foreign Asset/Account Reporting Information. If the Participant holds investments abroad or foreign financial assets (*e.g.*, shares acquired under the Plan or cash from the sale of such shares, etc.) that may generate income taxable in Italy, the Participant is required to report them on his or her annual tax returns (UNICO Form, RW Schedule) or on a special form if no tax return is due, irrespective of their value.

Foreign Asset Tax Information. The value of the financial assets (*e.g.*, shares acquired under the Plan or cash from the sale of such shares, etc.) held outside of Italy by Italian residents is subject to a foreign asset tax levied at an annual rate of 0.2%. The taxable amount will be the fair market value of the financial assets assessed at the end of the calendar year.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. The Participant is required to report details of assets held outside of Japan as of December 31st, including shares acquired under the Plan, to the extent such assets have a total net fair market value exceeding €0,000. The report will be due by March 15th each year. The Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

KOREA

Notifications

Exchange Control Information. Exchange controls require Korean residents who receive US\$500,000 or more from the sale of shares or the receipt of dividends to repatriate the proceeds to Korea within 18 months of the sale/receipt.

Foreign Asset/Account Reporting Information. Korean residents must declare all foreign financial accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). The Participant is advised to consult with his or her personal tax advisor to ensure compliance with this requirement.

RUSSIA

Terms and Conditions

U.S. Securities Transaction. The Participant understands that this award of SARs shall be valid and the Agreement shall be concluded and become effective only when the Agreement is received electronically or otherwise by YUM! in the United States.

Notifications

Securities Law Information. This Appendix, the Agreement, the Plan and all other materials that the Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. The issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia. In no event will shares acquired under the Plan be delivered to the Participant in Russia; instead, all shares acquired upon exercise of the SAR will be maintained on the Participant's behalf in the United States. The Participant is not permitted to sell shares acquired under the Plan directly to a Russian legal entity or resident.

Exchange Control Notification. Under current exchange control regulations, within a reasonably short time after sale of shares acquired under the Plan, the Participant must repatriate the sale proceeds to Russia. Such sale proceeds must be credited initially to the Participant through a foreign currency account at an authorized bank in Russia. After the sale proceeds are initially

received in Russia, the funds may be further remitted to foreign banks in accordance with Russian exchange control laws.

The Participant should consult his or her personal advisor before remitting any sale proceeds to Russia, as exchange control requirements may change.

SINGAPORE

Notifications

Securities Law Notification. The SAR was granted to the Participant pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). Neither the Agreement nor the Plan have been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that his or her SAR is subject to section 257 of the SFA and the Participant will not be able to make any subsequent sale of the shares in Singapore, or any offer of such subsequent sale of the shares underlying the SAR unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Participant is a director, associate director or shadow director of a Subsidiary or other related company in Singapore, then the Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Subsidiary in writing when the Participant receives an interest (*e.g.*, SARs, shares) in YUM! or any related company. In addition, the Participant must notify the Singapore Subsidiary or other related company when he or she sells shares of YUM! or any related company (including when the Participant sells shares acquired under the Plan). These notifications must be made within two (2) business days of acquiring or disposing of any interest in YUM! or any related company. In addition, a notification must be made of the Participant’s interests in YUM! or any related company within two (2) business days of becoming a director.

SOUTH AFRICA

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 6 of the Agreement:

By accepting the SAR, the Participant agrees that, immediately upon exercise of the SAR, he or she will notify the Employer of the amount of any gain realized. If the Participant fails to advise the Employer of the gain realized upon exercise, the Participant may be liable for a fine. The Participant will be solely responsible for paying any difference between the actual tax liability and the amount withheld by the Employer.

SPAIN

Terms and Conditions

Nature of Grant. The following provision supplements Section 7 of the Agreement:

In accepting the SAR, the Participant consents to participate in the Plan and acknowledges that she or he has received a copy of the prospectus (also referred to as the Memorandum) and that the Plan will be provided upon request.

The Participant understands that YUM! has unilaterally, gratuitously and discretionally decided to grant SARs under the Plan to select individuals who meet the eligibility requirements set forth in the Plan. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind YUM! or any Subsidiary, other than to the extent set forth in the Agreement. Consequently, the Participant understands that the SAR is granted on the assumption and condition that the SAR and any shares acquired upon exercise of the SAR are not part of any employment contract (either with YUM! or any Subsidiary) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. Further, the Participant understands and freely accepts that there is no guarantee that any benefit whatsoever shall arise from any gratuitous and discretionary grant of the SAR since the future value of the underlying shares is unknown and unpredictable. In addition, the Participant understands that the SAR would not be granted to him or her but for the assumptions and conditions referred to herein; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of this SAR shall be null and void.

Further, this SAR is a conditional right to shares and can be forfeited in the case of, or affected by, the Participant's termination of employment. This may be the case, for example, even if (1) Participant is considered to be unfairly dismissed without good cause; (2) Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) Participant terminates service due to a change of work location, duties or any other employment or contractual condition; (4) Participant terminates service due to a unilateral breach of contract by YUM! or a Subsidiary; or (5) Participant's employment terminates for any other reason whatsoever.. Consequently, upon termination of the Participant's employment for any of the reasons set forth above, the Participant *may* automatically lose any rights to the unvested SARs granted to the Participant as of the date of his or her termination of employment and/or may have a shortened period of time within which to exercised vested SARs, unless otherwise provided in Section 4 of the Agreement.

Notifications

Exchange Control Notification. The Participant must declare the acquisition of shares to the Dirección General de Comercio e Inversiones (the "DGCI"), which is a department of the Ministry of Industry, Tourism and Commerce, for statistical purposes. The Participant must also declare ownership of any shares by filing a Form D-6 with the Directorate of Foreign Transactions each January while the shares are owned. In addition, the sale of shares must also be declared on Form D-6 filed with the DGCI in January, unless the sale proceeds exceed the applicable threshold, in which case, the filing is due within one month after the sale.

Foreign Asset/Account Reporting Information. The Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts if the value of the transactions during the prior tax year or the balances in such accounts as of December 31 of the prior tax year exceed €1,000,000.

Further, effective January 1, 2013, to the extent that the Participant holds shares and/or has bank accounts outside Spain with a value in excess of €50,000 (for each type of asset) as of December 31 each year, the Participant will be required to report information on such assets in his or her tax return (tax form 720) for such year. After such shares and/or accounts are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported shares or accounts increases by more than €20,000. If the value of such shares and/or accounts as of December 31 does not exceed €50,000, a summarized form of declaration may be presented.

Securities Law Notification. The grant of SARs and the shares issued pursuant to the exercise of the SAR are considered a private placement outside of the scope of Spanish laws on public offerings and issuances of securities.

SWITZERLAND

Notifications

Securities Law Notification. The SAR offered is considered a private offering in Switzerland; therefore, it is not subject to registration in Switzerland.

THAILAND

Notifications

Exchange Control Information. The Participant must immediately repatriate the proceeds from the sale of shares and any dividends to Thailand immediately upon receipt if the amount of received in a single transaction is US\$50,000 or more. The Participant must then either convert the funds to Thai Baht or deposit the amount in a foreign currency deposit account maintained by a bank in Thailand within 360 days of repatriating the amount to Thailand. If the repatriated amount is US\$50,000 or more, the Participant must report the inward remittance by submitting the Foreign Exchange Transaction Form to the authorized agent or the Bank of Thailand. The Participant is solely responsible for complying with applicable exchange control rules in Thailand and is advised to consult with his or her personal advisor to ensure such compliance.

TURKEY

Notifications

Securities Law Information. The Participant is not permitted to sell shares acquired under the Plan in Turkey. The Participant must sell such shares outside of Turkey. The Stock is currently traded on the New York Stock Exchange under the ticker symbol “YUM” and shares may be sold on this exchange, which is located outside of Turkey.

Exchange Control Information. Pursuant to Decree No. 32 on the Protection of the Value of the Turkish Currency (“Decree 32”) and Communiqué No. 2008-32/34 on Decree 32, any activity related to investments in foreign securities (*e.g.*, the sale of shares acquired under the Plan and the receipt of dividends) must be conducted through a bank or financial intermediary institution licensed by the Turkish Capital Markets Board and should be reported to the Turkish Capital Markets Board. The Participant is solely responsible for complying with Turkish exchange control

requirements and is advised to contact a personal legal advisor for further information regarding these requirements.

UNITED ARAB EMIRATES (DUBAI)

Notifications

Securities Law Notification. The offer of SARs under the Plan is made only to individuals who satisfy the definition of Eligible Individuals in the Plan, and constitutes an “exempt personal offer” of equity incentives to employees in the United Arab Emirates. This Agreement, the Plan and any other documents related to the SARs are intended for distribution only to Eligible Individuals and must not be delivered to, or relied on, by any other person.

The Emirates Securities and Commodities Authority and/or the Central Bank have no responsibility for reviewing or verifying any documents in connection with this statement. The Ministry of Economy, the Dubai Department of Economic Development, the Emirates Securities and Commodities Authority, Central Bank and the Dubai Financial Securities Authority have not approved this statement, the Plan, this Agreement or any other documents related to the SARs or taken steps to verify the information set out therein and have no responsibility for such documents.

If the Participant does not understand the contents of this Agreement or the Plan, the Participant should consult his or her personal financial advisor.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. The following supplements Section 6 of the Agreement:

The Participant agrees that if payment or withholding of the income tax due with respect to the exercise of the SAR is not made within ninety (90) days after the end of the tax year in which the event giving rise to the liability occurs or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax liability shall constitute a loan owed by the Participant to the Employer, effective as of the Due Date. The Participant agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it will be immediately due and repayable, and YUM! or the Employer may recover it at any time thereafter by any of the means referred to in Section 6 of the Agreement.

Notwithstanding the foregoing, if the Participant is a director or executive officer of YUM! (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the Participant shall not be eligible for a loan from YUM! to cover the unpaid income tax. In the event that the Participant is a director or executive officer and income tax is not collected from or paid by the Participant by the Due Date, the amount of any uncollected income tax liability will constitute a benefit to the Participant on which additional income tax and National Insurance contributions (“NICs”) will be payable. The Participant will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Employer for the value of any NICs due on this additional benefit.

The Participant acknowledges that YUM! or the Employer may recover the NICs by any of the means referred to in Section 6 of the Agreement.

VIETNAM

No country-specific provisions, provided the Participant is not a Vietnamese national. *If the Participant is a Vietnamese national, different terms and conditions apply.*

* * *

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

YUM! BRANDS, INC.

By: /s/ Tracy Skeans
Tracy Skeans
YUM! Brands, Inc. Chief Transformation and People Officer

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Section 5: EX-15 (EXHIBIT 15)

Acknowledgement of Independent Registered Public Accounting Firm

YUM! Brands, Inc.
Louisville, Kentucky

With respect to the subject registration statement, we acknowledge our awareness of the use therein of our report dated May 7th, 2019 related to our review of interim financial information.

Description	Registration Statement Number
Form S-8	
Restaurant Deferred Compensation Program	333-36877, 333-32050
Executive Income Deferral Program	333-36955
SharePower Stock Option Plan	333-36961
YUM! Brands 401 (k) Plan	333-36893, 333-32048, 333-109300
YUM! Brands, Inc. Restaurant General Manager Stock Option Plan	333-64547
YUM! Brands, Inc. Long-Term Incentive Plan	333-32052, 333-109299, 333-170929, 333-223152

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

Louisville, Kentucky
May 7, 2019

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Section 6: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Greg Creed, certify that:

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

Date: May 7, 2019

/s/ Greg Creed

Chief Executive Officer

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Section 7: EX-31.2 (EXHIBIT 31.2)

CERTIFICATION

I, David W. Gibbs, certify that:

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

Date: May 7, 2019

/s/ David W. Gibbs

President, Chief Operating Officer and Chief Financial Officer

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Section 8: EX-32.1 (EXHIBIT 32.1)

In connection with the Quarterly Report of YUM! Brands, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, Greg Creed, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 7, 2019

/s/ Greg Creed

Chief Executive Officer

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

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Section 9: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

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

In connection with the Quarterly Report of YUM! Brands, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, David W. Gibbs, President, Chief Operating Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 7, 2019

/s/ David W. Gibbs

President, Chief Operating Officer and Chief Financial Officer

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

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