MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise noted, the section references to (i) "us", "our", "we", "the Company" and "YUM" refer to YUM Brands, Inc. and its consolidated subsidiaries, (ii) "the Parent" refers to YUM Brands, Inc., on a stand-alone basis, (iii) "the Issuers" refers to KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC, which are direct wholly-owned subsidiaries of the Parent and co-issuers of $1.05 billion of 5.00% Senior Notes due 2024 and $1.05 billion of 5.25% Senior Notes due 2016 (collectively, the "Subsidiary Senior Unsecured Notes") and co-borrowers under the Credit Agreement (as defined herein); (iii) "the Specified Guarantors" refers to collectively Yum Restaurant Services Group, LLC, Restaurant Concepts LLC and Taco Bell Corp., which are directly wholly-owned subsidiaries of the Parent and guarantors of the Notes and under the Credit Agreement; (iv) "the Companies" refers to collectively the Issuers and the Specified Guarantors, (v) "the Taco Bell Securitization Entities" refers to collectively Taco Bell Funding, LLC, a Delaware special purpose limited liability company and wholly owned subsidiary of Taco Bell Corp, and its subsidiaries, (vi) "the YUM China Entities" refers to all of YUM's subsidiaries and other entities that will be spun-off from YUM in connection with the China spin-off (as defined below) and (vii) the "Restricted Group" refers collectively to the Companies and their subsidiaries, other than (a) the Taco Bell Securitization Entities which will not be subject to the covenants under the Indenture governing the Subsidiary Senior Unsecured Notes and the Credit Agreement and (b) the YUM China Entities, most of which will be not be subject to the covenants under the Indenture governing the Subsidiary Senior Unsecured Notes and the Credit Agreement and none of which will be owned by YUM following the China spin-off, and also excludes the Parent and ABR Insurance Company which will not be subject to such covenants as well.

This discussion is supplemental to the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our our quarterly report on Form 10-Q for the quarter ended September 3, 2016 filed with the SEC (the "Third Quarter 10-Q") and contains additional information related to the pro forma results of operations and financial condition of the Restricted Group. None of the financial information in this discussion has been audited or reviewed by our auditors. This discussion has been prepared and posted to our website in accordance with our reporting obligations under the Indenture governing the Subsidiary Senior Unsecured Notes and the Credit Agreement. You should read the following discussion of our results of operations and financial condition and the Restricted Group's pro forma results of operation and financial condition together with the information included in our annual report on Form 10-K for the year ended December 26, 2015 (the "2015 10-K"), especially the information under the heading "Risk Factors" and our unaudited consolidated financial statements and related notes included in our Third Quarter 10-Q.

This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risks Factors" section of our 2015 10-K. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Statements Regarding Forward-Looking Statements" below.

Introduction and Overview

Yum! Brands, Inc. ("YUM" or the "Company") operates, franchises or licenses a worldwide system of more than 43,000 restaurants in 135 countries and territories, primarily through the concepts of KFC, Pizza Hut and Taco Bell. These three concepts are the global leaders in the chicken, pizza and Mexican-style food categories, respectively. Of the more than 43,000 restaurants, 23% are operated by the Company and unconsolidated affiliates and 77% are operated by franchisees or licensees.

YUM currently consists of four reporting segments:

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

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

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

We are returning substantial capital to shareholders as part of this planned spin-off, the majority of which is being funded by incremental borrowings. As a result of this recapitalization, which was completed on June 16, 2016, five days into our third quarter, the Company has transitioned to a non-investment grade credit rating with a balance sheet more consistent with highly-levered peer restaurant franchise companies. Moreover, this allows for an ongoing return-of-capital framework that will seek to optimize the Company's long-term growth rate on a per-share basis.

On September 23, 2016, the YUM Board of Directors approved a distribution of one share of YUM China common stock for each share of YUM common stock held at the close of business on October 19, 2016, the record date for the distribution. YUM expects to complete the distribution after the close of business on October 31, 2016.

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

After the spin-off of our China business, we anticipate reclassifying our China Division historical results, other results attributable to China though not allocated to the China Division (e.g. refranchising gains), and related income tax expense for periods presented prior to the spin-off, including those periods in 2016, to Discontinued Operations within our Consolidated Income Statement. The China business results presented in Discontinued Operations will include an incremental license fee expense similar to what will be paid by YUM China to YUM going forward. Likewise, YUM's historical results for our KFC and Pizza Hut Divisions will include incremental license fee income from our China business such that recast total Net income, including Discontinued Operations, will be the same as previously reported results.

On October 11, 2016, we announced our strategic transformation plans to drive global expansion of the KFC, Pizza Hut and Taco Bell brands ("YUM's Strategic Transformation Initiatives") following the anticipated separation of our China business on October 31, 2016. Major features of the Company's growth and transformation strategy involve being more focused, franchised and efficient. YUM's Strategic Transformation Initiatives represent the continuation of YUM's transformation of its operating model and capital structure.

- More Focused. Four growth drivers will 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 will focus on becoming best-in-class in:
  - Building Distinctive, Relevant Brands
  - Developing Unmatched Franchise Operating Capability
  - Driving Bold Restaurant Development
  - Growing Unrivaled Culture and Talent

- More Franchised. YUM will increase franchise restaurant ownership from 77% currently to 93% at the time of the separation of the China business to at least 98% by the end of 2018.

- More Efficient. The Company will revamp its financial profile, improving the efficiency of its organization and cost structure globally by:
  - Significantly reducing annual capital expenditures to approximately $100 million in 2019
  - Significantly reducing G&A expenses over the next three years

- ◦ Maintaining an optimized capital structure of ~5.0x Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") leverage

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

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

- The Company provides certain percentage changes excluding the impact of foreign currency translation (“FX” or “Forex”). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

- System sales growth includes the results of all restaurants regardless of ownership, including company-owned, franchise, unconsolidated affiliate and license restaurants that operate our Concepts, except for non-company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise, unconsolidated affiliate and license restaurants typically generate ongoing franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Condensed Consolidated Statements of Income; however, the franchise and license fees are included in the Company’s revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

- Same-store sales growth is the estimated percentage change in sales of all restaurants that have been open and in the YUM system one year or more.

- Company Restaurant profit ("Restaurant profit") is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales. Company restaurant margin as a percentage of sales is defined as Restaurant profit divided by Company sales. Within the Company Sales and Restaurant Profit analyses, Store Portfolio Actions represent the net impact of new unit openings, acquisitions, refranchising and store closures, and Other primarily represents the impact of same-store sales as well as the impact of changes in costs such as inflation/deflation.

  - Operating Margin is Operating Profit divided by Total revenues.

  - In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") , the Company has provided non-GAAP measurements which present Diluted Earnings Per Share before Special Items, our Effective Tax Rate before Special Items, and Core Operating Profit. Core Operating Profit excludes Special Items and foreign currency translation and we use Core Operating Profit for the purposes of evaluating performance internally. Special Items are not included in any of our externally reported segment results, and we believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations. 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 Diluted Earnings Per Share before Special Items, our Effective Tax Rate before Special Items, and Core Operating Profit provide additional information to investors to facilitate the comparison of past and present operations, excluding items that the Company does not believe are indicative of our ongoing operations due to their size and/or nature.

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

2016 Growth Model

As communicated in December 2015 (see specific guidance at www.yum.com/investors/financial-information/guidance) we expected Core Operating Profit growth of 10% in 2016, which includes the impact of 2016 having a 53rd week for certain of our businesses (our subsidiaries that report on a monthly basis, including our China Division, do not have a 53rd week). While we currently expect to spin off our China business after the close of business on October 31, 2016, our targets assume our China business will remain part of YUM through the end of 2016. Full year GAAP Operating profit growth guidance is not provided due to our inability to forecast when gains and losses related to refranchising transactions classified as Special Items will occur, as the timing of these transactions is often outside of our control and the resulting gains and losses are dependent upon future market conditions.

Results of Operations

Summary

For the quarter ended September 3, 2016 GAAP diluted EPS increased 64% to $1.56 per share, and diluted EPS, excluding Special Items, increased 9% to $1.09 per share.

For the year to date ended September 3, 2016 GAAP diluted EPS increased 43% to $3.28 per share, and diluted EPS, excluding Special Items, increased 12% to $2.79 per share.

Quarterly Division highlights:

	% Change				
	System Sales[(a)]	Same-Store Sales	Units	GAAP Operating Profit	Core Operating Profit
China Division	+3	(1)	+7	+7	+14
KFC Division	+7	+4	+3	+11	+19
Pizza Hut Division	Even	(1)	+1	(6)	(5)
Taco Bell Division	+5	+3	+3	+9	+9
Worldwide	+4	+1	+3	+8	+11

Year to date Division highlights:

	% Change				
	System Sales[(a)]	Same-Store Sales	Units	GAAP Operating Profit	Core Operating Profit
China Division	+5	+1	+7	+14	+20
KFC Division	+6	+2	+3	+2	+9
Pizza Hut Division	+2	+1	+1	+3	+4
Taco Bell Division	+4	+1	+3	+4	+4
Worldwide	+4	+1	+3	+15	+13

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

Additionally:

- Foreign currency translation negatively impacted our reported quarterly and year to date Operating Profit by $34 million and $78 million, respectively, which included $23 million and $43 million, respectively, from our China Division, and $11 million and $33 million, respectively, from our KFC Division.

- Our GAAP effective tax rate for the quarter decreased to (11.6)% from 25.3%. Our effective tax rate for the quarter, excluding Special Items, decreased to 23.5% from 24.8%. Our year to date GAAP effective tax rate decreased to 11.8% from 25.9%. Our year to date effective tax rate, excluding Special Items, decreased to 24.3% from 24.6%.

We have raised our 2016 Core Operating Profit growth forecast for YUM to at least 15% versus our original target of 10% due to solid year-to-date profitability in China and continued strength in our businesses outside of China. The upside versus our original forecast in China includes a benefit from changes in China's retail tax structure. Effective May 1, 2016, the Chinese government implemented reform of its retail tax structure, which is intended to be a progressive and positive shift to more closely align with a more modern service-based economy. Under this reform a 6% output value added tax ("VAT") replaced a 5% Business Tax previously applied to certain restaurant sales. Input VAT is creditable to the aforementioned 6% output VAT. As expected, restaurant margins in the China Division have benefited from the new VAT regime. This benefit continues to fluctuate month-to-month as we refine our ability to collect input credits, and as the interpretation of the new VAT rules become more clear. We currently expect this tax change to benefit ongoing future restaurant margins in China by at least two percentage points. As a result of this benefit, partially offset by expected labor and commodity inflation as well as our investment back into generating sales, we expect full year China restaurant margins of at least 17%.

Worldwide

The Consolidated Results of Operations for the quarters ended September 3, 2016 and September 5, 2015 are presented below:

	Quarter ended			Year to date		
	2016	2015	% B/(W)	2016	2015	% B/(W)
Company sales	$ 2,841	$ 2,968	(4)	$ 7,560	$ 7,806	(3)
Franchise and license fees and income	475	459	4	1,383	1,348	3
Total revenues	$ 3,316	$ 3,427	(3)	$ 8,943	$ 9,154	(2)
Restaurant profit	$ 570	$ 539	5	$ 1,411	$ 1,332	6
Restaurant margin %	20.0 %	18.2%	1.8 ppts.	18.7%	17.1%	1.6 ppts.
General and administrative ("G&A") expenses	$ 377	$ 328	(15)	$ 1,028	$ 976	(5)
Franchise and license expenses	47	65	27	145	146	1
Closures and impairment (income) expenses	7	3	(99)	47	30	(58)
Refranchising (gain) loss	(25)	2	NM	(85)	60	NM
Other (income) expense	(15)	(3)	NM	(50)	(12)	NM
Operating Profit	$ 654	$ 603	8	$ 1,709	$ 1,480	15
Operating margin %	19.7 %	17.6%	2.1 ppts.	19.1%	16.2%	2.9 ppts.
Interest expense, net	$ 87	$ 32	NM	164	99	(67)
Income tax provision	(65)	145	NM	183	358	49
Effective Tax Rate	(11.6)%	25.3%	36.9 ppts.	11.8%	25.9%	14.1 ppts.
Net Income – including noncontrolling interests	$ 632	$ 426	48	$ 1,362	$ 1,023	33
Net Income – noncontrolling interests	10	5	(81)	10	5	(81)
Net Income – YUM! Brands, Inc.	$ 622	$ 421	48	$ 1,352	$ 1,018	33
Diluted earnings per share [(a)]	$ 1.56	$ 0.95	64	$ 3.28	$ 2.29	43
Diluted earnings per share before Special Items [(a)]	$ 1.09	$ 1.00	9	$ 2.79	$ 2.50	12

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

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	1%	—%	1%	—%
System Sales Growth, excluding FX	4%	6%	4%	4%

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	33,400	32,351	3
Company-owned	8,873	8,795	1
Unconsolidated Affiliates	812	778	4
	43,085	41,924	3

Reconciliation of Non-GAAP Measurements to GAAP Results

Detail of Special Items	Quarter ended 2016	Quarter ended 2015	Year to date 2016	Year to date 2015
Costs associated with the planned spin-off of the China business and YUM recapitalization (See Note 4)	$ (10)	$ —	$ (29)	$ —
YUM's Strategic Transformation Initiatives[(a)]	(26)	—	(32)	—
Costs associated with KFC U.S. Acceleration Agreement (See Note 4)	—	(21)	(17)	(31)
Refranchising initiatives[(b)]	21	(4)	77	(69)
Other Special Items Income (Expense)	1	(1)	1	1
Total Special Items Income (Expense) - Operating Profit	(14)	(26)	—	(99)
Tax Benefit (Expense) on Special Items[(c)]	$ 202	$ 4	$ 193	$ 5
Special Items Income (Expense), net of tax - including noncontrolling interests	$ 188	$ (22)	193	(94)
Special Items Income (Expense), net of tax - noncontrolling interests (See Note 6)	—	—	(8)	—
Special Items Income (Expense), net of tax - YUM! Brands, Inc.	$ 188	$ (22)	$ 201	$ (94)
Average diluted shares outstanding	398	444	412	445
Special Items diluted EPS	$ 0.47	$ (0.05)	$ 0.49	$ (0.21)

Reconciliation of Core Operating Profit to GAAP Operating Profit	Quarter ended 2016	Quarter ended 2015	Year to date 2016	Year to date 2015
Core Operating Profit	$ 702	$ 629	$ 1,787	$ 1,579
Special Items Income (Expense)	(14)	(26)	—	(99)
Foreign Currency Impact on Operating Profit	(34)	N/A	(78)	N/A
GAAP Operating Profit	$ 654	$ 603	$ 1,709	$ 1,480

Reconciliation of Diluted EPS Before Special Items to GAAP EPS	Quarter ended 2016	Quarter ended 2015	Year to date 2016	Year to date 2015
Diluted EPS before Special Items	$ 1.09	$ 1.00	$ 2.79	$ 2.50
Special Items EPS	0.47	(0.05)	0.49	(0.21)
GAAP EPS	$ 1.56	$ 0.95	$ 3.28	$ 2.29

Reconciliation of Effective Tax Rate Before Special Items to GAAP Effective Tax Rate	Quarter ended 2016	Quarter ended 2015	Year to date 2016	Year to date 2015
Effective Tax Rate before Special Items	23.5 %	24.8%	24.3 %	24.6%
Impact on Tax Rate as a result of Special Items[(b)]	(35.1)%	0.5%	(12.5)%	1.3%
GAAP Effective Tax Rate	(11.6)%	25.3%	11.8 %	25.9%

(a) Costs related to YUM’s Strategic Transformation Initiatives are being classified as Special Items due to the scope of the initiatives as well as their significance and include items directly attributable to these initiatives such as severance costs, professional fees and other one-time costs that will be incurred pursuant to our strategy to become more focused, franchised and efficient. During the quarter ended September 3, 2016, YUM offered a voluntary retirement program to certain U.S. employees as a step towards becoming a leaner, more efficient organization. This program will provide separation pay and benefits to employees who elected to voluntarily separate from Yum. We incurred $26 million and $32 million of costs related to YUM’s Strategic Transformation Initiatives in the quarter and year to date ended September 3, 2016, respectively, primarily related to the U.S. Voluntary Retirement Program. We currently expect to record approximately $50 million of expenses related to these initiatives in the fourth quarter of 2016. Additionally, refranchising gains and losses incurred as we move to being at least 98% franchised will continue to be classified as Special Items (see footnote b below). See the Introduction and Overview of this MD&A for discussion of YUM's Strategic Transformation Initiatives.

(b) We have historically recorded refranchising gains and losses in the U.S. as Special Items due to the scope of our refranchising program and the volatility in associated gains and losses. Beginning in 2016, we are also including all international refranchising gains and losses, excluding China, in Special Items. The inclusion in Special Items of these additional international refranchising gains and losses is the result of the anticipated size and volatility of refranchising initiatives outside the U.S. that will take place in connection with YUM's Strategic Transformation Initiatives. International refranchising gains and losses in the quarter and year to date ended September 5, 2015 previously not included in Special Items were not significant and have not been reclassified into Special Items. See Note 4.

(c) The tax benefit (expense) was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual pre-tax components within Special Items. Additionally, during the quarter ended September 3, 2016, we recognized a $233 million tax benefit related to previously recorded losses associated with our Little Sheep business. The tax benefit associated with these losses was able to be recognized as a result of legal entity restructuring completed in anticipation of the China spin-off. The cash tax savings associated with this benefit will be realized as we recognize future U.S. refranchising gains. $198 million of this benefit was attributed to previous Little Sheep impairment losses and as such was classified as a Special Item consistent with the classification of those historical impairments. See Note 7.

Pro Forma Results of Operations for the Restricted Group

The following table sets forth certain unaudited financial and operating data of the Restricted Group as of the dates and for the periods indicated after giving pro forma effect to the China spin-off and the Securitization Transaction as if they had occurred on the first day of fiscal year 2015.

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 993	$ 1,033	(4)	-	$ 2,876	$ 3,028	(5)	(1)
Franchise and license fees and income	399	394	2	5	1,157	1,143	1	5
Total revenues	$ 1,392	$ 1,427	(2)	1	$ 4,033	$ 4,171	(3)	1
G&A expenses	$ 245	$ 216	(13)	(16)	$ 663	$ 651	(2)	(5)
Operating Profit	$ 269	$ 244	10	16	$ 850	$ 698	22	28

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	- %	(1) %	-%	(2) %
System Sales Growth, excluding FX	4 %	6 %	4%	4 %
Same-Store Sales Growth %	1 %	2 %	1%	- %

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	34,491	33,254	4
Company-owned	3,026	3,274	(8)
	37,517	36,528	3

The China spin-off had the following pro forma impact on the financial and operating data of the Restricted Group in comparison to the corresponding data of YUM:

Units

- 5,805 and 5,449 Company-owned restaurants in China as of the end of the third quarters of 2016 and 2015, respectively, became licensed restaurants; and 250 and 273 Company-owned and franchised Little Sheep and East Dawning restaurants as of the end of the third quarters of 2016 and 2015, respectively, were excluded from the Restricted Group's restaurant count because we will no longer own, and we will not receive a license fee from, the Little Sheep and East Dawning restaurants after the completion of the China spin-off;

Company Sales

- Company sales decreased $1,835 million and $1,916 million for the third quarters of 2016 and 2015, respectively, due to the impact of our Company-owned KFC and Pizza Hut restaurants in China becoming licensed restaurants; and Company sales decreased $13 million and $19 million for the third quarters of 2016 and 2015, respectively due to the exclusion of Little Sheep and East Dawning restaurants as a result of the China spin-off;

- Company sales decreased $4,642 million and $4,708 million for the years to date 2016 and 2015, respectively, due to the impact of our Company-owned KFC and Pizza Hut restaurants in China becoming licensed restaurants; and Company sales decreased $42 million and $70 million for the years to date 2016 and 2015, respectively due to the exclusion of Little Sheep and East Dawning restaurants as a result of the China spin-off;

Company Restaurant Expenses

- Company restaurant expenses decreased $1,437 million and $1,556 million for the third quarters of 2016 and 2015, respectively, due to the exclusion of such expenses related to all Company-owned restaurants in China which we will no longer own following the China spin-off;

- Company restaurant expenses decreased $3,744 million and $3,932 million for the years to date 2016 and 2015, respectively, due to the exclusion of such expenses related to all Company-owned restaurants in China which we will no longer own following the China spin-off;

G&A Expenses

- G&A expenses decreased $111 million and $90 million for the third quarters of 2016 and 2015, respectively, due to the exclusion of such expenses related to China entities which we will no longer own following the China spin-off, partially offset by an increase in G&A expenses of $5 million and $4 million for the third quarters of 2016 and 2015, respectively, related to incremental value added tax on the license fees paid by the China Entities to our Restricted Group;

- G&A expenses decreased $299 million and $258 million for the years to date 2016 and 2015, respectively, due to the exclusion of such expenses related to China entities which we will no longer own following the China spin-off, partially offset by an increase in G&A expenses of $11 million and $10 million for the third quarters of 2016 and 2015, respectively, related to incremental value added tax on the licese fees paid by the China Entities to our Restricted Group;

Franchise and License Fees and Income

- Franchise and license fees and income increased $68 million and $71 million for the third quarters of 2016 and 2015, respectively, due to YUM China paying a license fee to the Restricted Group equal to 3% of its Company and franchise sales for KFC and Pizza Hut restaurants in China, offset by $35 million and $34 million related to existing franchise fees and income for the third quarters ended 2016 and 2015, respectively, already included in China Division results.

- Franchise and license fees and income increased $172 million for each of the years to date 2016 and 2015 due to YUM China paying a license fee to the Restricted Group equal to 3% of its Company and franchise sales from KFC and Pizza Hut restaurants in China, offset by $90 million and $83 million related to existing franchise fees and income for the years to date 2016 and 2015, respectively, already included in China Division results.

The Securitization Transaction and the exclusion of the Taco Bell Securitization Entities from the Restricted Group had the following pro forma impact on the financial and operating data of the Restricted Group in comparison to the corresponding data of YUM:

Units

- 5,318 and 5,123 U.S. Taco Bell franchised and licensed restaurants were excluded from the Restricted Group as of the end of the third quarters of 2016 and 2015, respectively, as the Restricted Group will no longer receive franchise fees from these restaurants;

Franchise and License Fees and Income

- Franchise and license fees and income decreased $109 million and $102 million for the third quarters of 2016 and 2015, respectively, due to the exclusion of the franchise fees paid by all U.S. Taco Bell franchised and licensed restaurants as a result of the Securitization Transaction;

- Franchise and license fees and income decreased $308 million and $294 million for the years to date 2016 and 2015, respectively, due to the exclusion of the franchise fees paid by all U.S. Taco Bell franchised and licensed restaurants as a result of the Securitization Transaction;

Company Restaurant Expenses

- Company restaurant expenses increased $20 million for each of the third quarters of 2016 and 2015 due to the payment of royalty fees of 5.5% of annual sales to the Taco Bell Securitization Entities by all U.S. Company-owned Taco Bell restaurants (which are part of the Restricted Group);

- Company restaurant expenses increased $57 million and $59 million for the years to date 2016 and 2015, respectively, due to the payment of royalty fees of 5.5% of annual sales to the Taco Bell Securitization Entities by all U.S. Company-owned Taco Bell restaurants (which are part of the Restricted Group);

G&A Expenses

- G&A expenses decreased $26 million for each of the third quarters of 2016 and 2015 due to the management fees paid by the Taco Bell Securitization Entities to Taco Bell Corp. as manager of the Taco Bell Securitization Entities, which fees are recorded as a reduction of G&A expenses and on an annual basis are equal to the sum of a base fee of $35 million plus 15.1% of total securitization cash revenue paid to the Taco Bell Securitization Entities by franchisees for the year;

- G&A expenses decreased $77 million for each of the years to date 2016 and 2015 due to the management fees paid by the Taco Bell Securitization Entities to Taco Bell Corp. as manager of the Taco Bell Securitization Entities, which fees are recorded as a reduction of G&A expenses and on an annual basis are equal to the sum of a base fee of $35 million plus 15.1% of total securitization cash revenue paid to the Taco Bell Securitization Entities by franchisees for the year; and

- Consequently, the overall margins of the Restricted Group were negatively impacted due to the loss of substantial franchise and license fees from U.S. franchised restaurants and our obligation to pay franchise fees on U.S. Company-owned restaurants to the Taco Bell Securitization Entities, while maintaining the same level of expenses (other than the reimbursement of a portion of G&A expenses).

China Division

The China Division has 7,330 units, predominately KFC and Pizza Hut Casual Dining restaurants which are the leading quick service and casual dining restaurant brands, respectively, in mainland China. Given our strong competitive position, a growing economy and a population of approximately 1.4 billion in mainland China, the Company has rapidly added KFC and Pizza Hut Casual Dining restaurants and accelerated the development of Pizza Hut Home Service (home delivery). Our original 2016 targets for the China Division included same-store sales growth of 2%-3%, at least 425 net new units and Operating Profit growth of 10%, excluding the impact of foreign currency translation. Given our year to date restaurant margin and profit growth, which includes the change in China's retail tax structure effective May 1, 2016, partially offset by a return to commodity inflation and higher labor costs, we believe 2016 operating profit growth will be greater than originally expected. Additionally, we have reallocated our capital to increase our pace of remodels in China to nearly 800 in 2016, up from our original target of 550. At the same time we have reduced both our gross and net new unit forecasts for the year by around 50 to 100 openings versus our original expectations. This is primarily due to fewer new Pizza Hut Casual Dining unit openings this year.

An international court ruling in July regarding claims to sovereignty over the South China Sea triggered a series of regional protests and boycotts, intensified by social media, against a few international companies with well known Western brands. We estimate that this negatively impacted China Division's same store sales by 400 to 500 basis points in the quarter ended September 3, 2016.

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 1,848	$ 1,935	(4)	1	$ 4,684	$ 4,778	(2)	3
Franchise and license fees and income	35	34	2	9	90	83	8	14
Total revenues	$ 1,883	$ 1,969	(4)	2	$ 4,774	$ 4,861	(2)	4
Restaurant profit	$ 411	$ 379	8	15	$ 940	$ 846	11	17
Restaurant margin %	22.2%	19.6%	2.6 ppts.	2.6 ppts.	20.1%	17.7%	2.4 ppts.	2.4 ppts.
G&A expenses	$ 102	$ 90	(14)	(20)	$ 270	$ 258	(5)	(10)
Operating Profit	$ 348	$ 327	7	14	$ 751	$ 661	14	20
Operating margin %	18.5%	16.6%	1.9 ppts.	2.0 ppts.	15.7%	13.6%	2.1 ppts.	2.2 ppts.

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	(3)%	7%	—%	(1)%
System Sales Growth, excluding FX	3 %	8%	5%	— %
Same-Store Sales Growth %	(1)%	2%	1%	(6)%

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Company-owned	5,847	5,521	6
Unconsolidated Affiliates	812	778	4
Franchise & License	671	568	18
	7,330	6,867	7

Company Sales and Restaurant Profit

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

	Quarter ended				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 1,935	$ 69	$ (41)	$ (115)	$ 1,848
Cost of sales	(611)	(15)	80	32	(514)
Cost of labor	(356)	(17)	(26)	23	(376)
Occupancy and other	(589)	(18)	25	35	(547)
Company restaurant expenses	$ (1,556)	$ (50)	$ 79	$ 90	$ (1,437)
Restaurant profit	$ 379	$ 19	$ 38	$ (25)	$ 411

	Year to date				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 4,778	$ 162	$ (3)	$ (253)	$ 4,684
Cost of sales	(1,518)	(37)	121	73	(1,361)
Cost of labor	(933)	(39)	(43)	52	(963)
Occupancy and other	(1,481)	(45)	28	78	(1,420)
Company restaurant expenses	$ (3,932)	$ (121)	$ 106	$ 203	$ (3,744)
Restaurant profit	$ 846	$ 41	$ 103	$ (50)	$ 940

The increase in Company sales and Restaurant profit for the quarter associated with store portfolio actions was driven by net new unit growth, partially offset by refranchising. Significant other factors impacting Company sales and/or Restaurant profit for the quarter were cost favorability due to retail tax structure reform (primarily in cost of sales), partially offset by higher labor costs, including wage inflation of 8%, and Company same-store sales declines of 2%.

The year to date increase in Company sales and Restaurant profit associated with store portfolio actions was driven by net new unit growth, partially offset by refranchising. Year to date Company same-store sales were even. Significant other factors impacting Restaurant profit were the favorable impact of pricing and promotional mix, cost favorability due to the retail tax structure reform (primarily in cost of sales) and commodity deflation of 1%, partially offset by transaction declines and higher labor costs, including wage inflation of 8%.

Franchise and License Fees and Income

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

The year to date increase in Franchise and license fees and income, excluding the impact of foreign currency translation, was driven by refranchising, franchise same-store sales growth of 5% and net new unit growth.

G&A Expenses

The quarterly and year to date increases in G&A expenses, excluding the impact of foreign currency translation, were driven by higher incentive compensation, wage inflation and increased headcount.

Operating Profit

The increase in Operating Profit for the quarter, excluding the impact of foreign currency translation, was driven by lower restaurant operating costs, including the favorable impact of the retail tax structure reform, and net new unit growth, partially offset by higher G&A expenses.

The year to date increase in Operating Profit, excluding the impact of foreign currency translation, was driven by lower restaurant operating costs, including the favorable impact of the retail tax structure reform, net new unit growth and same-store sales growth, partially offset by higher G&A expenses and higher restaurant impairment charges.

Restricted Group — China Division

The China Division is not part of the Restricted Group and will become part of a separate independent publicly traded company upon the distribution of YUM China common stock to YUM shareholders on October 31, 2016. The YUM China entities will pay a license fee to the Restricted Group that equals 3% of its Company and franchise sales from our KFC, Pizza Hut and Taco Bell brands in China which, on a pro forma basis, would have equaled $68 million and $71 million for the third quarters ended 2016 and 2015, respectively, and $172 million for each of the years to date 2016 and 2015. These license fees have been allocated among our KFC and Pizza Hut Divisions, as applicable, as described below. These license fees declined 2.7% for the third quarter 2016 and increased 0.3% for the year to date 2016, compared to the prior year period, due to the results of the China Division described above. Other than the license fees, the China Division had no impact on the Restricted Group.

KFC Division

The KFC Division has 15,065 units, approximately 70% of which are located outside the U.S. The KFC Division has experienced significant unit growth in emerging markets, which comprised approximately 40% of both the Division's units and profits, respectively, as of the end of 2015. Additionally, 90% of the KFC Division units were operated by franchisees and licensees as of the end of 2015. Our 2016 targets for the KFC Division include same-store sales growth of 3%, at least 475 net new international units and Operating Profit growth of 11%, excluding the impact of foreign currency translation and including the impact of a 53rd week.

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 521	$ 526	(1)	6	$ 1,469	$ 1,525	(4)	4
Franchise and license fees and income	202	195	4	8	591	584	1	6
Total revenues	$ 723	$ 721	—	7	$ 2,060	$ 2,109	(2)	5
Restaurant profit	$ 76	$ 68	11	19	$ 215	$ 213	1	9
Restaurant margin %	14.5%	12.9%	1.6 ppts.	1.6 ppts.	14.6%	13.9%	0.7 ppts.	0.6 ppts.
G&A expenses	$ 89	$ 96	7	3	$ 259	$ 275	6	1
Operating Profit	$ 160	$ 144	11	19	$ 469	$ 459	2	9
Operating margin %	22.2%	20.0%	2.2 ppts.	2.3 ppts.	22.8%	21.8%	1.0 ppts.	1.0 ppts.

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	3%	(6)%	1%	(3)%
System Sales Growth, excluding FX	7%	6 %	6%	7 %
Same-Store Sales Growth %	4%	3 %	2%	3 %

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	13,576	13,142	3
Company-owned	1,489	1,552	(4)
	15,065	14,694	3

Company Sales and Restaurant Profit

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

	Quarter ended				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 526	$ 9	$ 23	$ (37)	$ 521
Cost of sales	(182)	(3)	(6)	13	(178)
Cost of labor	(124)	(1)	(4)	8	(121)
Occupancy and other	(152)	2	(6)	10	(146)
Company restaurant expenses	$ (458)	$ (2)	$ (16)	$ 31	$ (445)
Restaurant profit	$ 68	$ 7	$ 7	$ (6)	$ 76

	Year to date				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 1,525	$ 24	$ 35	$ (115)	$ 1,469
Cost of sales	(526)	(9)	(6)	42	(499)
Cost of labor	(354)	(5)	(11)	24	(346)
Occupancy and other	(432)	1	(10)	32	(409)
Company restaurant expenses	$ (1,312)	$ (13)	$ (27)	$ 98	$ (1,254)
Restaurant profit	$ 213	$ 11	$ 8	$ (17)	$ 215

The quarterly and year to date increases in Company sales associated with store portfolio actions were driven by net new unit growth, partially offset by refranchising. The quarterly and year to date increases in Restaurant profit associated with store portfolio actions were driven by net new unit growth. Significant other factors impacting Company sales and/or Restaurant profit were company same-store sales growth of 5% and 2% for the quarter and year to date, respectively, partially offset by wage inflation and higher commodity costs.

Franchise and License Fees and Income

The quarterly and year to date increases in Franchise and license fees and income, excluding the impact of foreign currency translation, were driven by net new unit growth, franchise same-store sales growth of 4% and 2% for the quarter and year to date, respectively, and refranchising.

G&A Expenses

Quarterly and year to date decreases in G&A expenses, excluding the impact of foreign currency translation, were driven by lower pension costs in the U.S. and lower professional and legal fees, partially offset by higher compensation costs due to increased headcount and wage inflation in international markets.

Operating Profit

The quarterly and year to date increases in Operating Profit, excluding the impact of foreign currency translation, were driven by same-store sales and net new unit growth, partially offset by higher restaurant operating costs and advertising contributions associated with the KFC U.S. Acceleration Agreement.

Restricted Group — KFC Division

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 521	$ 526	(1)	6	$ 1,469	$ 1,525	(4)	4
Franchise and license fees and income	253	248	2	6	721	712	1	6
Total revenues	$ 774	$ 774	-	6	$ 2,190	$ 2,237	(2)	5
Restaurant profit	$ 76	$ 68	11	19	$ 215	$ 213	1	9
Restaurant margin %	14.5%	12.9%	1.6 ppts.	1.6 ppts.	14.6%	13.9%	0.7 ppts.	0.7 ppts.
G&A expenses	$ 93	$ 99	6	3	$ 267	$ 282	5	0
Operating Profit	$ 207	$ 194	7	14	$ 591	$ 580	2	8

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	1 %	(2) %	1%	(3) %
System Sales Growth, excluding FX	5 %	6 %	6%	4 %
Same-Store Sales Growth %	2 %	3 %	3%	- %

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	18,663	18,031	4
Company-owned	1,489	1,552	(4)
	20,152	19,583	3

The China spin-off had the following pro forma impact on the financial and operating data of the KFC Division of the Restricted Group in comparison to the corresponding data for the KFC Division of YUM:

Units

- The number of franchised and licensed KFC restaurants increased by 5,087 and 4,889 for the third quarters of 2016 and 2015, respectively, due to all Company-owned and licensed KFC restaurants in China (previously included within YUM's China Division) becoming licensed KFC restaurants of the Restricted Group;

Franchise and License Fees and Income

- Franchise and license fees and income increased $51 million and $53 million for the third quarters of 2016 and 2015, respectively, due to the payment of a license fee from YUM China to the Restricted Group equal to 3% of its KFC Company and franchise sales in China;

- Franchise and license fees and income increased $130 million and $128 million for the years to date 2016 and 2015, respectively, due to the payment of a license fee from YUM China to the Restricted Group equal to 3% of its KFC Company and franchise sales in China;

G&A Expenses

- G&A expenses increased $4 million and $3 million for the third quarters of 2016 and 2015, respectively, related to the value added tax on the license fees paid by the China Entities to our Restricted Group for its KFC Company and franchise sales; and

- G&A expenses increased $8 million and $7 million for the years to date 2016 and 2015, respectively, related to the value added tax on the license fees paid by the China Entities to our Restricted Group for its KFC Company and franchise sales.

Except as described in the bullet points above, the China spin-off had no other impact on the results of operations of the KFC Division of the Restricted Group. The Securitization Transaction had no impact on the KFC Division of the Restricted Group.

Pizza Hut Division

The Pizza Hut Division has 14,179 units, approximately 55% of which are located in the U.S. The Pizza Hut Division operates as one brand that uses multiple distribution channels including delivery, dine-in and express (e.g. airports). Emerging markets comprised approximately 20% of both units and profits for the Division as of the end of 2015. Additionally, 95% of the Pizza Hut Division units were operated by franchisees and licensees as of the end of 2015. Our 2016 targets for the Pizza Hut Division include same-store sales growth of 3%, at least 325 net new international units and Operating Profit growth of 7%, excluding the impact of foreign currency translation and including the impact of a 53rd week.

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 106	$ 141	(25)	(24)	$ 363	$ 430	(16)	(14)
Franchise and license fees and income	124	123	1	3	378	372	2	4
Total revenues	$ 230	$ 264	(13)	(11)	$ 741	$ 802	(8)	(6)
Restaurant profit	$ 4	$ 11	(70)	(71)	$ 30	$ 42	(29)	(30)
Restaurant margin %	3.1%	7.8%	(4.7) ppts.	(4.8) ppts.	8.2%	9.8%	(1.6) ppts.	(1.9) ppts.
G&A expenses	$ 57	$ 60	7	5	$ 163	$ 180	10	7
Operating Profit	$ 61	$ 65	(6)	(5)	$ 212	$ 206	3	4
Operating margin %	26.7%	24.7%	2.0 ppts.	1.8 ppts.	28.6%	25.7%	2.9 ppts.	2.6 ppts.

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

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	13,543	13,243	2
Company-owned	636	799	(20)
	14,179	14,042	1

Company Sales and Restaurant Profit

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

	Quarter ended				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 141	$ (35)	$ 2	$ (2)	$ 106
Cost of sales	(40)	11	(1)	1	(29)
Cost of labor	(44)	12	(4)	—	(36)
Occupancy and other	(46)	9	(1)	1	(37)
Company restaurant expenses	$ (130)	$ 32	$ (6)	$ 2	$ (102)
Restaurant profit	$ 11	$ (3)	$ (4)	$ —	$ 4

	Year to date				
Income / (Expense)	2015	Store Portfolio Actions	Other	FX	2016
Company sales	$ 430	$ (70)	$ 11	$ (8)	$ 363
Cost of sales	(120)	21	(4)	3	(100)
Cost of labor	(133)	22	(8)	3	(116)
Occupancy and other	(135)	19	(4)	3	(117)
Company restaurant expenses	$ (388)	$ 62	$ (16)	$ 9	$ (333)
Restaurant profit	$ 42	$ (8)	$ (5)	$ 1	$ 30

The quarterly decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising. Significant other factors impacting Company sales and/or Restaurant profit for the quarter were higher property and casualty losses and higher labor costs, partially offset by Company same-store sales growth of 2%.

The year to date decrease in Company sales and Restaurant profit associated with store portfolio actions was driven by refranchising. Significant other factors impacting year to date Company sales and/or Restaurant profit were higher labor costs and property and casualty losses, partially offset by Company same-store sales growth of 3%.

Franchise and License Fees and Income

The quarterly and year to date increases in Franchise and license fees and income, excluding the impact of foreign currency translation, were driven by refranchising. Franchise same-store sales declined 1% for the quarter and were even for the year to date.

G&A Expenses

The quarterly and year to date decreases in G&A expenses, excluding the impact of foreign currency translation, were driven by lower U.S. pension costs, refranchising and lower professional and legal fees, partially offset by higher incentive compensation costs.

Operating Profit

The decrease in Operating Profit for the quarter, excluding the impact of foreign currency translation, was driven by higher restaurant operating costs, partially offset by lower G&A expenses.

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

Restricted Group - Pizza Hut Division

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 106	$ 141	(25)	(24)	$ 363	$ 430	(16)	(14)
Franchise and license fees and income	141	141	1	3	420	416	1	4
Total revenues	$ 247	$ 282	(12)	(10)	$ 783	$ 846	(7)	(5)
Restaurant profit	$ 4	$ 11	(70)	(71)	$ 30	$ 42	(29)	(30)
Restaurant margin %	3.1%	7.8%	(4.7) ppts.	(4.9) ppts.	8.2%	9.8%	(1.6) ppts.	(1.9) ppts.
G&A expenses	$ 58	$ 61	6	5	$ 166	$ 183	10	7
Operating Profit	$ 77	$ 82	(4)	(3)	$ 251	$ 247	2	4

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

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	15,536	14,948	4
Company-owned	636	799	(20)
	16,172	15,747	3

The China spin-off had the following pro forma impact on the financial and operating data of the Pizza Hut Division of the Restricted Group in comparison to the corresponding data for the Pizza Hut Division of YUM:

Units

- The number of franchised and licensed Pizza Hut restaurants increased by 1,993 and 1,705 for the third quarters of 2016 and 2015, respectively, due to all Company-owned and licensed Pizza Hut restaurants in China (previously included within YUM's China Division) becoming licensed Pizza Hut restaurants of the Restricted Group;

Franchise and License Fees and Income

- Franchise and license fees and income increased $17 million and $18 million for the third quarters of 2016 and 2015, respectively, due to the payment of a license fee from YUM China to the Restricted Group equal to 3% of its Pizza Hut Company and franchise sales in China;
- Franchise and license fees and income increased $42 million and $44 million for the years to date 2016 and 2015, respectively, due to the payment of a license fee from YUM China to the Restricted Group equal to 3% of its Pizza Hut Company and franchise sales in China;

G&A Expenses

- G&A expenses increased $1 million for each of the third quarters of 2016 and 2015, related to value added tax on the license fees paid by the China Entities to our Restricted Group for its Pizza Hut Company and franchise sales; and
- G&A expenses increased $3 million for each of the years to date 2016 and 2015, related to value added tax on the license fees paid by the China Entities to our Restricted Group for its Pizza Hut Company and franchise sales.

Except as described in the bullet points above, the China spin-off had no other impact on the results of operations of the Pizza Hut Division of the Restricted Group. The Securitization Transaction had no impact on the Pizza Hut Division of the Restricted Group.

Taco Bell Division

The Taco Bell Division has 6,511 units, the vast majority of which are in the U.S. The Company owns 14% of the Taco Bell units in the U.S., where the brand has historically achieved high restaurant margins and returns. Our 2016 targets for the Taco Bell Division include same-store sales growth of 3%, at least 225 net new units and Operating Profit growth of 9%, including the impact of a 53rd week.

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 366	$ 366	—	—	$ 1,044	$ 1,073	(3)	(3)
Franchise and license fees and income	115	107	8	8	326	309	6	6
Total revenues	$ 481	$ 473	2	2	$ 1,370	$ 1,382	(1)	(1)
Restaurant profit	$ 79	$ 81	(2)	(2)	$ 226	$ 231	(2)	(2)
Restaurant margin %	21.7%	22.1%	(0.4) ppts.	(0.4) ppts.	21.6%	21.6%	— ppts.	— ppts.
G&A expenses	$ 49	$ 50	4	4	$ 140	$ 141	1	1
Operating Profit	$ 143	$ 132	9	9	$ 401	$ 386	4	4
Operating margin %	29.8%	27.8%	2.0 ppts.	2.0 ppts.	29.3%	27.9%	1.4 ppts.	1.4 ppts.

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	5%	7%	4%	8%
System Sales Growth, excluding FX	5%	7%	4%	8%
Same-Store Sales Growth %	3%	4%	1%	5%

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	5,610	5,398	4
Company-owned	901	923	(2)
	6,511	6,321	3

Company Sales and Restaurant Profit

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

	Quarter ended			
Income / (Expense)	2015	Store Portfolio Actions	Other	2016
Company sales	$ 366	$ (7)	$ 7	$ 366
Cost of sales	(100)	3	1	(96)
Cost of labor	(101)	2	(6)	(105)
Occupancy and other	(84)	1	(3)	(86)
Company restaurant expense	$ (285)	$ 6	$ (8)	$ (287)
Restaurant profit	$ 81	$ (1)	$ (1)	$ 79

	Year to date			
Income / (Expense)	2015	Store Portfolio Actions	Other	2016
Company sales	$ 1,073	$ (27)	$ (2)	$ 1,044
Cost of sales	(298)	9	19	(270)
Cost of labor	(300)	8	(10)	(302)
Occupancy and other	(244)	6	(8)	(246)
Company restaurant expense	$ (842)	$ 23	$ 1	$ (818)
Restaurant profit	$ 231	$ (4)	$ (1)	$ 226

The decrease in Company sales and Restaurant profit for the quarter associated with store portfolio actions was driven by refranchising, partially offset by net new unit growth. Significant other factors impacting Restaurant profit were Company same-store sales growth of 2% and lower commodity costs, partially offset by higher labor costs and store-level investments.

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

Franchise and License Fees and Income

The increase in Franchise and license fees and income for the quarter was driven by franchise same-store sales growth of 3%, net new unit growth, and refranchising.

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

G&A Expenses

The quarterly and year to date decreases in G&A expenses were driven by lower U.S. pension costs, partially offset by higher compensation costs.

Operating Profit

The increase in Operating Profit for the quarter was driven by same-store sales growth and net new unit growth, partially offset by higher restaurant operating costs.

The year to date increase in Operating Profit was driven by net new unit growth and same-store sales growth, partially offset by higher restaurant operating costs and refranchising.

Restricted Group - Taco Bell Division

	Quarter ended				Year to date			
			% B/(W)				% B/(W)	
	2016	2015	Reported	Ex FX	2016	2015	Reported	Ex FX
Company sales	$ 366	$ 366	-	-	$ 1,044	$ 1,073	(3)	(3)
Franchise and license fees and income	6	5	33	34	18	15	27	28
Total revenues	$ 372	$ 371	-	-	$ 1,062	$ 1,088	(2)	(2)
Restaurant profit	$ 59	$ 61	(3)	(3)	$ 169	$ 172	(2)	(2)
Restaurant margin %	16.2%	16.6%	(0.4) ppts.	(0.4) ppts.	16.2%	16.1%	0.1 ppts.	0.1 ppts.
G&A expenses	$ 23	$ 24	6	6	$ 63	$ 64	2	1
Operating Profit	$ 40	$ 36	12	12	$ 113	$ 110	3	2

	Quarter ended		Year to date	
	2016	2015	2016	2015
System Sales Growth, reported	- %	3 %	(2)%	4 %
System Sales Growth, excluding FX	1 %	4 %	(1)%	5 %
Same-Store Sales Growth %	2 %	4 %	0%	5 %

Unit Count	9/3/2016	9/5/2015	% Increase (Decrease)
Franchise & License	292	275	6
Company-owned	901	923	(2)
	1,193	1,198	-

The Securitization Transaction and the exclusion of the Taco Bell Securitization Entities from the Restricted Group had the following pro forma impact on the financial and operating data of the Taco Bell Division of the Restricted Group in comparison to the corresponding data of the Taco Bell Division of YUM:

Units

- 5,318 and 5,123 U.S. Taco Bell franchised restaurants were excluded from our Restricted Group as of the end of the third quarters of 2016 and 2015, respectively, as the Restricted Group no longer receives franchise fees from these restaurants;

Franchise and License Fees and Income

- Franchise and license fees and income decreased $109 million and $102 million for the third quarters of 2016 and 2015, respectively, due to the exclusion of the franchise fees paid by all U.S. Taco Bell franchised restaurants as a result of the Securitization Transaction;

- Franchise and license fees and income decreased $308 million and $294 million for the years to date 2016 and 2015, respectively, due to the exclusion of the franchise fees paid by all U.S. Taco Bell franchised restaurants as a result of the Securitization Transaction;

Company Occupancy and Other Expenses

- Company occupancy and other expenses increased $20 million for each of the third quarters of 2016 and 2015 due to the payment of royalty fees of 5.5% of annual sales to the Taco Bell Securitization Entities by all U.S. Company-owned Taco Bell restaurants (which are part of the Restricted Group);

- Company occupancy and other expenses increased $57 million and $59 million for the years to date 2016 and 2015, respectively, due to the payment of royalty fees of 5.5% of annual sales to the Taco Bell Securitization Entities by all U.S. Company-owned Taco Bell restaurants (which are part of the Restricted Group);

G&A Expenses

- G&A expenses decreased $26 million for each of the third quarters of 2016 and 2015, respectively, due to the management fee paid by the Taco Bell Securitization Entities to the Taco Bell Corp. as manager of the Taco Bell Securitization Entities, which fees are recorded as a reduction of G&A expenses and on an annual basis are equal to the sum of a base fee of $35 million plus 15.1% of total securitization cash revenue paid to the Taco Bell Securitization Entities by franchisees for the year;

- G&A expenses decreased $77 million for each of the years to date 2016 and 2015, respectively, due to the management fee paid by the Taco Bell Securitization Entities to the Taco Bell Corp. as manager of the Taco Bell Securitization Entities, which fees are recorded as a reduction of G&A expenses and on an annual basis are equal to the sum of a base fee of $35 million plus 15.1% of total securitization cash revenue paid to the Taco Bell Securitization Entities by franchisees for the year; and

- Consequently, the overall operating margins of the Restricted Group were negatively impacted due to the impact to franchise and license fees from U.S. franchised Taco Bell restaurants and the payment of 5.5% franchise fees on U.S. Company-owned restaurants to the Taco Bell Securitization Entities, while maintaining the same level of expenses (other than the reimbursement of a portion of G&A expenses through receipt of the management fee).

The China spin-off would not have had any impact on the Taco Bell Division of the Restricted Group since there are no Taco Bell restaurants in China as of September 3, 2016.

Revenues and Restaurant Profit. The quarterly Revenues and Restaurant profit were negatively impacted by refranchising activities resulting in Company-owned restaurants becoming part of the Taco Bell Securitization Entities and excluded from the Restricted Group, partially offset by net new unit growth. Significant other factors impacting Restaurant profit were Company same-store sales growth of 2% and lower commodity costs, partially offset by higher labor costs and store level investments.

The year to date Revenues and Restaurant profit were negatively impacted by refranchising activities resulting in Company-owned restaurants becoming part of the Taco Bell Securitization Entities and excluded from the Restricted Group, partially offset by net new unit growth. Year to date Company same-store sales were even. Significant other factors impacting Restaurant profit were higher labor costs, transaction declines, and store level investments, partially offset by the favorable impact of pricing and lower commodity costs.

Franchise and License Fees and Income. The increase in Franchise and license fees and income for the quarter was driven by franchise and license same-store sales growth of 2% and international net new unit growth.

The increase in Franchise and license fees and income for the year to date was driven by international net new unit growth and franchise and license same-store sales growth of 1%.

G&A Expenses. The decrease in G&A expenses for the quarter was driven by lower U.S. pension costs.

The year to date decrease in G&A expenses was driven lower U.S. pension costs, partially offset by higher compensation costs.

Operating Profit. The increase in Operating Profit for the quarter was driven by same-store sales growth and growth in net new units, partially offset by higher restaurant operating costs.

The year to date increase in Operating Profit was driven by same-store sales growth and net new units, partially offset by higher restaurant operating costs and refranchising.

Corporate & Unallocated

	Quarter ended			Year to date		
(Expense) / Income	2016	2015	% B/(W)	2016	2015	% B/(W)
Corporate G&A expenses	$ (80)	$ (32)	NM	$ (196)	$ (122)	(61)
Unallocated franchise and license fees and income	(1)	—	NM	(2)	—	NM
Unallocated franchise and license expenses	1	(21)	NM	(15)	(31)	49
Unallocated refranchising gain (loss) (See Note 4)	25	(2)	NM	85	(60)	NM
Other unallocated	(3)	(10)	67	4	(19)	NM
Interest expense, net	(87)	(32)	NM	(164)	(99)	(67)
Income tax benefit (provision) (See Note 7)	65	(145)	NM	(183)	(358)	49
Effective tax rate (See Note 7)	(11.6)%	25.3%	36.9 ppts.	11.8%	25.9%	14.1 ppts.

Corporate G&A Expenses

The quarterly and year to date increases in Corporate G&A expenses were driven by incremental costs associated with YUM's Strategic Transformation Initiatives (See Note 4), costs associated with the planned spin-off of the China business and YUM recapitalization (See Note 4) and higher incentive compensation costs.

Unallocated Franchise and License Fees and Income

Unallocated Franchise and License fees and income reflects charges related to the KFC U.S. acceleration agreement. See Note 4.

Unallocated Franchise and License Expenses

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

Other Unallocated

Other unallocated primarily includes foreign exchange gains and losses.

Interest Expense, Net

The quarterly and year to date increases in Interest expense, net were driven by increased outstanding borrowings. (See Note 10).

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

U.S. Pension Plan Deferred Vested Early Payout Program

On September 8, 2016, the Company began informing certain former employees with deferred vested balances in the Plan of a limited opportunity to voluntarily elect an early payout of their pension benefits. The payout can be in the form of a lump sum payment equal to the present value of the participant's pension benefit or through a monthly annuity. These former employees have until October 25, 2016 to make their elections. The Company expects to make the lump sum payments and commence the monthly annuity payments beginning in December 2016 and intends to fund the payments from existing pension plan assets. The Company expects to record a pre-tax non-cash settlement charge in the fourth quarter of 2016 of between $30 million and $50 million as a result of these payouts. The amount of the charge will depend upon the total amount of lump sums paid. These amounts will be classified within Special Items due to the significant and non-recurring nature of this program.

Restricted Group — Corporate and Unallocated

The following table sets forth certain unaudited pro forma financial data of the corporate and unallocated expenses of the Restricted Group as of the dates and for the periods indicated after giving pro forma effect to the China spin-off and the Financing Transactions as if they had occurred on the first day of fiscal year 2015.

	Quarter ended		
	2016	2015	% B/(W)
Corporate G&A Expense	$(71)	$(32)	NM
Unallocated franchise and license fees and income	(1)	-	NM
Unallocated franchise and license expense	1	(21)	NM
Refranchising gain (loss) (See Note 4)	21	(5)	NM
Other unallocated	(5)	(10)	43

	Year to date		
	2016	2015	% B/(W)
Corporate G&A Expense	$(167)	$(122)	(38)
Unallocated franchise and license fees and income	(2)	-	NM
Unallocated franchise and license expense	(15)	(31)	49
Refranchising gain (loss) (See Note 4)	77	(67)	NM
Other unallocated	2	(19)	NM

YUM's Consolidated Cash Flows

Year to date 2016 vs. Year to date 2015

Net cash provided by operating activities was $1,542 million in 2016 versus $1,817 million in 2015. The decrease was largely driven by higher tax payments and an increase in restricted cash primarily due to requirements related to the Securitization Notes (See Note 10).

Net cash used in investing activities was $346 million in 2016 versus $522 million in 2015. The decrease was primarily driven by lower capital spending and higher refranchising proceeds.

Net cash provided by financing activities was $983 million in 2016 versus cash used of $1,019 million in 2015. The increase in cash provided was primarily driven by higher proceeds from net borrowings, partially offset by higher share repurchases.

YUM's Consolidated Financial Condition

During the year to date ended September 3, 2016, we issued $6.9 billion in new debt and repaid $900 million of borrowings that were outstanding as of December 26, 2015. See Note 10 for details on these debt issuances and repayments. Shareholder's Equity (Deficit) declined $2.8 billion due primarily to share repurchases of $3.8 billion. Additionally, Deferred income taxes increased by $224 million due primarily to tax benefits recognized related to our Little Sheep Investment (See Note 7).

Liquidity and Capital Resources

Operating in the retail food industry allows us to generate substantial cash flows from the operations of our company-owned stores and from our extensive franchise operations which require a limited YUM investment. These operating cash flows have largely funded our historical capital spending and returns to shareholders in the form of cash dividends and share repurchases.

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

Our balance sheet often reflects a working capital deficit, which is not uncommon in our industry and is also historically common for YUM. Company sales are paid for in cash or by credit card (which is quickly converted into cash) and our royalty receivables from franchisees and licensees are generally due within 30 days of the period in which the related sales occur. Substantial amounts of cash received are invested in new restaurant assets which are non-current in nature or returned to shareholders. As part of our working capital strategy, we negotiate favorable credit terms with vendors and our on-hand inventory turns faster than the related short-term liabilities as a result. 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.

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

We intend to spin-off our China business from YUM into an independent, publicly-traded company on October 31, 2016. Upon completion of the planned spin-off, YUM will become more of a “pure play” franchisor with more stable earnings, higher profit margins, lower capital requirements and stronger cash flow conversion. As part of this transition we are returning $6.2 billion in capital to our shareholders in connection with the separation of our China business. Since we announced our intention to separate the China business we have repurchased 58 million shares for $4.6 billion through September 3, 2016, of which 46 million shares were repurchased for $3.8 billion during the year to date ended September 3, 2016.

This return of capital is being funded primarily through incremental borrowings that were made to optimize our capital structure. We anticipate having a total company-wide leverage of approximately five times EBITDA subsequent to the spin-off of our China business.

We began returning this capital by increasing our rate of share repurchases in October 2015. In December 2015, we entered into a $1.5 billion Bridge Facility to help fund these share repurchases. In March 2016, we amended the Bridge Facility to increase the total amount available for borrowing to $2.0 billion, of which the full amount was drawn down and outstanding as of March 19, 2016.

Borrowing Capacity

Securitization Notes. In May 2016, Taco Bell Funding, LLC, a newly formed special purpose subsidiary of the Company, issued an aggregate of $2.3 billion of fixed rate senior secured notes (“Class A-2 Notes”). In connection with the issuance of the Class A-2 Notes, Taco Bell Funding, LLC also issued variable rate notes (the “Variable Funding Notes” and, together with the Class A-2 Notes, the “Securitization Notes”) pursuant to a new revolving financing facility, which allows for the borrowing of up to $100 million and the issuance of letters of credit (undrawn through September 3, 2016). The Class A-2 Notes contain cross-default provisions whereby the failure to pay principal on any outstanding Securitization Notes will constitute an event of default under any other Securitization Notes.

The Company used certain of the proceeds from the sale of the Class A-2 Notes to pay down the entire outstanding balance of $2.0 billion of its Bridge Facility, at which time the Bridge Facility was terminated, as well as to pay related fees and expenses and fund certain accounts related to the Securitization Notes. The remaining proceeds of the Securitization Notes were used to return capital to shareholders through share repurchases and for general corporate purposes.

Credit Agreement. On June 16, 2016, three wholly-owned subsidiaries of the Company, KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC, as co-borrowers (the "Borrowers") entered into a new credit agreement (the "Credit Agreement") providing for (i) a $500 million Term Loan A facility (the "Term Loan A Facility"), (ii) a $2.0 billion Term Loan B facility (the "Term Loan B Facility") and (iii) a $1.0 billion revolving facility (undrawn through September 3, 2016) (the "Revolving Facility"), each of which may be increased subject to certain conditions. Our Term Loan A Facility and Term Loan B Facility contain cross-default provisions whereby the failure to pay principal of or otherwise perform any agreement or condition under indebtedness of certain subsidiaries with a principal amount in excess of $100 million will constitute an event of default under the Credit Agreement.

Subsidiary Senior Unsecured Notes. On June 16, 2016, the Borrowers issued an aggregate of $1.05 billion Senior Unsecured Notes due 2024 and an aggregate of $1.05 billion Senior Unsecured Notes due 2026 (together, the "Subsidiary Senior Unsecured Notes"). Our Subsidiary Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of the indebtedness of certain subsidiaries with a principal amount in excess of $100 million or the failure to pay principal of such indebtedness will constitute an event of default under the Subsidiary Senior Unsecured Notes.

We used certain of the proceeds from the Subsidiary Senior Unsecured Notes and the Term Loan A Facility and the Term Loan B Facility to repay all outstanding amounts under our senior unsecured revolving credit facility (the " Senior Unsecured Revolving Credit Facility") which had outstanding borrowings of $701 million as of December 26, 2015. Concurrent with this repayment the Senior Unsecured Revolving Credit Facility was terminated. The remaining proceeds are being used to return capital to shareholders through share repurchases and for general corporate purposes.

The majority of our remaining long-term debt primarily comprises YUM Senior Unsecured Notes with varying maturity dates from 2018 through 2043 and stated interest rates ranging from 3.75% to 6.88%. The notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under YUM Senior Unsecured Notes were $2.2 billion at September 3, 2016. Our YUM Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness in a principal amount in excess of $50 million will constitute a default under the YUM Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice. We were in compliance with all of our debt covenant requirements at September 3, 2016.

As a result of issuing the Securitization Notes and the Subsidiary Senior Unsecured Notes and executing the Credit Agreement we have completed our recapitalization plan. We currently expect full year 2016 interest expense of approximately $300 million and annualized interest expense of approximately $430 million based on existing debt levels and current interest rates on our variable-rate debt.

See Note 10 for details on the issuance of the Securitization Notes, Subsidiary Senior Unsecured Notes and the Credit Agreement.

During the year to date ended September 3, 2016 we invested $546 million in capital spending, including $268 million in China, $134 million in the KFC Division, $49 million in the Pizza Hut Division and $87 million in the Taco Bell Division.

During the year to date ended September 3, 2016 we paid cash dividends of $559 million in addition to the returns of capital to shareholders noted above. Additionally, on September 23, 2016 our Board of Directors approved a cash dividend of $0.51 per share of Common Stock, to be distributed on November 4, 2016 to shareholders of record at the close of business on October 19, 2016.

New Accounting Pronouncements Not Yet Adopted

See Note 1 for details of recently adopted accounting pronouncements.

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

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

In March 2016 the FASB issued ASU No. 2016-09, C*ompensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* which is intended to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company in our first quarter of fiscal 2017 with early adoption permitted. Upon adoption of this standard, excess tax benefits associated with share-based compensation, which are currently recognized within Common Stock, will be reflected within the income tax provision in our Consolidated Statements of Income. Additionally, our Consolidated Statements of Cash Flows will present such excess tax benefits, which are currently presented as a financing activity, as an operating activity. The impact of adopting this standard on our consolidated financial statements will be dependent on the timing and intrinsic value of future share-based compensation award exercises.

In June 2016 the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected versus incurred credit losses for financial assets held. ASU 2016-13 is effective for the Company in our first quarter of fiscal 2020 with early adoption permitted beginning in the first quarter of fiscal 2019. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as “may,” “will,” “estimate,” “intend,” “seek,” “expect,” “project,” “anticipate,” “believe,” “plan,” “could,” “target,” “predict,” “likely,” “should,” “forecast,” “outlook,” “model,” “ongoing” or other similar terminology.

Forward-looking statements are based on our current expectations, estimates, assumptions or projections concerning future results or events, including, without limitation, statements regarding the intended capital return to shareholders, the planned separation of the Yum! Brands and Yum! China businesses, the timing of any such separation, the future earnings and performance as well as capital structure of Yum! Brands, Inc. or any of its businesses, including the Yum! Brands and Yum! China businesses on a standalone basis if the separation is completed. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or projections will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include (i) the risks and uncertainties described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2 and any Risk Factors in Part II, Item 1A of this report, (ii) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of our Form 10-K for the year ended December 26, 2015 and (iii) the factors described in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Form 10-K for the year ended December 26, 2015. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We are not undertaking to update any of these statements.