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Yum China Holdings, Inc.

百勝中國控股有限公司

(Incorporated in the State of Delaware of the United States of America)

(Stock Code: 9987)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2026**

Yum China Holdings, Inc. (the “Company” or “Yum China”) (NYSE: YUMC and HKEX: 9987) hereby announces the unaudited condensed consolidated results of the Company for the six months ended June 30, 2026 (the “Reporting Period”, together with the comparative figures for the corresponding period in 2025, which have been prepared under generally accepted accounting principles in the United States (the “U.S. GAAP” or “GAAP”) and reviewed by the audit committee (the “Audit Committee”) of the Board of Directors (the “Board”) of the Company.

By order of the Board
Yum China Holdings, Inc.
Joey WAT

Director and Chief Executive Officer

Hong Kong, August 10, 2026

As of the date of this announcement, the Board comprises Dr. Fred HU as the chairman and an independent director, Ms. Joey WAT as an executive director, and Ms. Mikel A. DURHAM, Mr. Edouard ETTEGUI, Ms. Grace Xin GE, Mr. David HOFFMANN, Ms. Ruby LU, Mr. Zili SHAO, Mr. William WANG, Mr. Zhe (David) WEI, Ms. Min (Jenny) ZHANG and Ms. Christina Xiaojing ZHU as independent directors.

Key Financial and Operational Highlights for the Six Months Ended June 30, 2026

- **Total system sales** grew 5% year over year (“YoY”), excluding foreign currency translation (“F/X”). The growth was mainly attributable to net new unit contribution. **Same-store sales** grew 1% YoY.
- **Total revenues** increased 11% YoY to \$6.4 billion, or a 5% increase excluding F/X.
- The Company opened 1,196 **net new stores**, 105% higher than the openings in the same period last year, with 40% opened by franchisees. As of June 30, 2026, **total store count** reached 19,297, with 18% of stores operated by franchisees.
- **Operating profit** grew 13% YoY to \$795 million. **Core operating profit** grew 7% YoY.
- **OP margin** was 12.4%, an increase of 20 basis points YoY.
- **Restaurant margin** was 17.2%, a decrease of 20 basis points YoY, primarily due to increased rider cost from a higher delivery mix, partially offset by streamlined operations.
- **Diluted EPS** increased 16% YoY to \$1.57, or up 10% excluding F/X, and up 11% further excluding the impact of the mark-to-market equity investments.
- Returned \$718 million to shareholders through \$515 million in **share repurchases** and \$203 million in **cash dividends**.



Review report to the Board of Directors of Yum China Holdings, Inc.

(Incorporated in Delaware, United States of America)

Introduction

We have reviewed the interim financial information of Yum China Holdings, Inc. and its subsidiaries (“the Company”) set out on pages 3 to 31, which comprises the condensed consolidated balance sheet as at June 30, 2026, the condensed consolidated statement of income, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and condensed consolidated statement of equity for the six-month period then ended and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and U.S. generally accepted accounting principles. The directors are responsible for the preparation and presentation of this interim financial information in accordance with U.S. generally accepted accounting principles.

Our responsibility is to express a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at June 30, 2026 is not prepared, in all material respects, in accordance with U.S. generally accepted accounting principles.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

August 10, 2026

Condensed Consolidated Statements of Income (Unaudited)

Yum China Holdings, Inc.

(in US\$ millions, except per share data)

	Year to Date Ended	
	6/30/2026	6/30/2025
Revenues		
Company sales	\$ 5,957	\$ 5,414
Franchise fees and income	59	51
Revenues from transactions with franchisees	311	236
Other revenues	82	67
Total revenues	<u>6,409</u>	<u>5,768</u>
Costs and Expenses, Net		
Company restaurants		
Food and paper	1,881	1,684
Payroll and employee benefits	1,617	1,431
Occupancy and other operating expenses	<u>1,437</u>	<u>1,357</u>
Company restaurant expenses	<u>4,935</u>	<u>4,472</u>
General and administrative expenses	276	269
Franchise expenses	24	21
Expenses for transactions with franchisees	298	227
Other operating costs and expenses	69	59
Closures and impairment expenses, net	12	18
Other income, net	—	(1)
Total costs and expenses, net	<u>5,614</u>	<u>5,065</u>
Operating Profit	<u>795</u>	<u>703</u>
Interest income, net	28	51
Investment loss	<u>(17)</u>	<u>(15)</u>
Income Before Income Taxes and Equity in		
Net Earnings (Losses) from Equity Method Investments	806	739
Income tax provision	(215)	(199)
Equity in net earnings (losses) from equity method investments	<u>4</u>	<u>6</u>
Net income – including noncontrolling interests	<u>595</u>	<u>546</u>
Net income – noncontrolling interests	<u>42</u>	<u>39</u>
Net Income – Yum China Holdings, Inc.	<u>\$ 553</u>	<u>\$ 507</u>
Weighted-average common shares outstanding (in millions):		
Basic	350	374
Diluted	351	376
Basic Earnings Per Common Share	<u>\$ 1.58</u>	<u>\$ 1.36</u>
Diluted Earnings Per Common Share	<u>\$ 1.57</u>	<u>\$ 1.35</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Yum China Holdings, Inc.

(in US\$ millions)

	Year to Date Ended	
	6/30/2026	6/30/2025
Net income – including noncontrolling interests	\$ 595	\$ 546
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	150	87
Comprehensive income – including noncontrolling interests	745	633
Comprehensive income – noncontrolling interests	60	50
Comprehensive Income – Yum China Holdings, Inc.	\$ 685	\$ 583

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

Yum China Holdings, Inc.

(in US\$ millions)

	Year to Date Ended	
	6/30/2026	6/30/2025
Cash Flows – Operating Activities		
Net income – including noncontrolling interests	\$ 595	\$ 546
Depreciation and amortization	237	219
Non-cash operating lease cost	211	199
Closures and impairment expenses	12	18
Investment loss	17	15
Equity in net (earnings) losses from equity method investments	(4)	(6)
Distributions of income received from equity method investments	8	9
Deferred income taxes	(9)	(3)
Share-based compensation expense	23	22
Changes in accounts receivable	(17)	(13)
Changes in inventories	(8)	52
Changes in prepaid expenses, other current assets and value-added tax assets	72	(8)
Changes in accounts payable and other current liabilities	39	(53)
Changes in income taxes payable	15	24
Changes in non-current operating lease liabilities	(187)	(200)
Other, net	(28)	43
Net Cash Provided by Operating Activities	<u>976</u>	<u>864</u>
Cash Flows – Investing Activities		
Capital spending	(271)	(259)
Purchases of short-term investments, long-term bank deposits and notes	(3,777)	(3,924)
Maturities of short-term investments, long-term bank deposits and notes	3,781	3,905
Acquisition of equity investment	—	(14)
Other, net	2	2
Net Cash Used in Investing Activities	<u>(265)</u>	<u>(290)</u>
Cash Flows – Financing Activities		
Proceeds from short-term borrowings	65	—
Repayment of short-term borrowings	(30)	(129)
Repurchase of shares of common stock	(530)	(368)
Cash dividends paid on common stock	(203)	(180)
Dividends paid to noncontrolling interests	(32)	(25)
Other, net	(9)	(7)
Net Cash Used in Financing Activities	<u>(739)</u>	<u>(709)</u>
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	<u>7</u>	<u>4</u>
Net Decrease in Cash, Cash Equivalents and Restricted Cash	<u>(21)</u>	<u>(131)</u>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	<u>506</u>	<u>723</u>
Cash, Cash Equivalents, and Restricted Cash - End of Period	<u>\$ 485</u>	<u>\$ 592</u>
Supplemental Cash Flow Data		
Cash paid for income tax	212	183
Non-cash Investing and Financing Activities		
Capital expenditures included in accounts payable and other current liabilities	150	132

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets

Yum China Holdings, Inc.

(in US\$ millions)

	<u>6/30/2026</u>	<u>12/31/2025</u>
	<u>(Unaudited)</u>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 485	\$ 506
Short-term investments	901	878
Accounts receivable, net	115	95
Inventories, net	459	438
Prepaid expenses and other current assets	390	440
Total Current Assets	<u>2,350</u>	<u>2,357</u>
Property, plant and equipment, net	2,623	2,543
Operating lease right-of-use assets	2,114	2,189
Goodwill	2,021	1,963
Intangible assets, net	151	148
Long-term bank deposits and notes	688	678
Equity investments	382	387
Deferred income tax assets	168	156
Other assets	374	362
Total Assets	<u>10,871</u>	<u>10,783</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	2,263	2,127
Short-term borrowings	66	30
Income taxes payable	107	89
Total Current Liabilities	<u>2,436</u>	<u>2,246</u>
Non-current operating lease liabilities	1,747	1,823
Non-current finance lease liabilities	50	51
Deferred income tax liabilities	418	406
Other liabilities	159	158
Total Liabilities	<u>4,810</u>	<u>4,684</u>
Redeemable Noncontrolling Interest	—	—
Equity		
Common stock, \$0.01 par value; 1,000 million shares authorized; 345 million shares and 355 million shares issued at June 30, 2026 and December 31, 2025, respectively; 345 million shares and 354 million shares outstanding at June 30, 2026 and December 31, 2025, respectively.	3	4
Treasury stock	(13)	(28)
Additional paid-in capital	3,696	3,796
Retained earnings	1,696	1,764
Accumulated other comprehensive loss	(25)	(157)
Total Yum China Holdings, Inc. Stockholders' Equity	<u>5,357</u>	<u>5,379</u>
Noncontrolling interests	704	720
Total Equity	<u>6,061</u>	<u>6,099</u>
Total Liabilities, Redeemable Noncontrolling Interest and Equity	<u>\$ 10,871</u>	<u>\$ 10,783</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Equity (Unaudited)

Yum China Holdings, Inc.

(in US\$ millions)

	Yum China Holdings, Inc.						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares*	Amount	Noncontrolling Interests
	Shares*	Amount*	\$	\$	\$	\$	\$
Balance at December 31, 2025	355	3,796	1,764	(157)	(1)	(28)	6,099
Net Income	553		553				42
Foreign currency translation adjustments				132			18
Comprehensive income							745
Cash dividends declared							
(\$0.58 per common share)			(203)				(203)
Distributions to noncontrolling interests							(76)
Repurchase and retirement of shares	(11)	(117)	(418)		—	15	(520)
Exercise and vesting of share-based awards	1	(6)					(6)
Share-based compensation	23	23					23
Balance at June 30, 2026	345	3,696	1,696	(25)	—	(13)	6,061
	379	4,028	2,089	(341)	(1)	(52)	6,414
Balance at December 31, 2024			507	76			546
Net Income							39
Foreign currency translation adjustments							11
Comprehensive income							633
Cash dividends declared			(180)				(180)
(\$0.48 per common share)							(69)
Distributions to noncontrolling interests	(9)	(93)	(306)		1	40	(359)
Repurchase and retirement of shares	1	(5)					(5)
Exercise and vesting of share-based awards	22	22					22
Share-based compensation							
Balance at June 30, 2025	371	3,952	2,110	(265)	—	(12)	6,456
							13

*: Shares and amounts may not add due to rounding.

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts in US\$ millions, except as otherwise noted)

Note 1 – Description of Business

Yum China Holdings, Inc. (“Yum China” and, together with its subsidiaries, the “Company,” “we,” “us,” and “our”) was incorporated in Delaware on April 1, 2016. The Company separated from Yum! Brands, Inc. (“YUM”) on October 31, 2016 (the “separation”).

The Company owns, franchises or has ownership in entities that own and operate restaurants (also referred to as “stores” or “units”) under the KFC, Pizza Hut, Lavazza, Huang Ji Huang, Little Sheep and Taco Bell concepts (collectively, the “concepts”). Our right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the development and operation of the KFC, Pizza Hut and Taco Bell brands and their related marks and other intellectual property rights for restaurant services is governed by the master license agreement between Yum Restaurants Consulting (Shanghai) Company Limited (“YCCL”), a wholly-owned indirect subsidiary of the Company and a subsidiary of YUM. Pursuant to the master license agreement, we are the exclusive licensee of the KFC, Pizza Hut and, subject to the agreed terms, Taco Bell brands and their related marks and other intellectual property rights for restaurant services in the People’s Republic of China (the “PRC” or “China”), excluding Hong Kong, Macau and Taiwan. The term of the license is 50 years from October 31, 2016, with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to us being in “good standing” and unless we give notice of our intent not to renew. In exchange, we pay a license fee to YUM equal to 3% of net system sales from both our Company and franchise restaurants. In June 2026, the Company announced that it has entered into a definitive agreement with YUM to acquire ownership of the Pizza Hut brand in Mainland China. Upon closing, the Company will no longer be subject to the license fees previously payable to YUM for the Pizza Hut brand. At the closing, the Company and YUM entered into an amended and restated master license agreement with YUM for the KFC and Taco Bell brands in Mainland China. We own the intellectual property of Huang Ji Huang and Little Sheep and pay no license fee related to these concepts.

In 1987, KFC was the first major global restaurant brand to enter China. As of June 30, 2026, there were 13,789 KFC stores in China. We maintain a controlling interest of 58%, 70%, 83%, 92% and approximately 60% in the entities that own and operate the KFCs in and around Shanghai, Beijing, Wuxi, Suzhou and Hangzhou, respectively.

The first Pizza Hut in China opened in 1990. As of June 30, 2026, there were 4,549 Pizza Hut restaurants in China.

In the second quarter of 2020, the Company partnered with Luigi Lavazza S.p.A. (“Lavazza Group”), the world-renowned family-owned Italian coffee company, and established a joint venture (“Lavazza joint venture”) to explore and develop the Lavazza coffee concept in China. Lavazza joint venture operates both the coffee shop business and the retail business. We maintain a controlling interest of 65% equity interest in the Lavazza joint venture.

In 2017, the Company acquired a controlling interest in the holding company of DAOJIA.com.cn (“Daojia”), an online food delivery service provider in China. This business was extended to also include a team managing the delivery services for restaurants, including restaurants in our system, with their results reported under our delivery operating segment.

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell and our delivery operating segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. Additional details on our segment reporting are included in Note 13.

The Company’s common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol “YUMC”. On September 10, 2020, the Company completed a secondary listing of its common stock on the Main Board of the Hong Kong Stock Exchange (“HKEX”) under the stock code “9987,” in connection with a global offering of 41,910,700 shares of its common stock. Net proceeds raised by the Company from the global offering after deducting underwriting fees and the offering expenses amounted to \$2.2 billion. On October 24, 2022, the Company’s voluntary conversion of its secondary listing status to a primary listing status on the HKEX became effective (“Primary Conversion”) and the Company became a dual primary listed company on the NYSE and HKEX. On the same day, the Company’s shares of common stock traded on the HKEX were included in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The Company’s common stock listed on the NYSE and HKEX continue to be fully fungible.

Note 2 – Basis of Presentation

Our preparation of the accompanying Condensed Consolidated Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

We have prepared the Condensed Consolidated Financial Statements in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Condensed Consolidated Financial Statements include all normal and recurring adjustments considered necessary to present fairly our financial position as of June 30, 2026, and our results of operations, comprehensive income, cash flows and statements of equity for the years to date ended June 30, 2026 and 2025. Our results of operations, comprehensive income and cash flows for these interim periods are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2025 Annual Report on Form 10-K as filed with the SEC and the Company’s 2025 Hong Kong Annual Report as filed with the HKEX.

Through the acquisition of Daojia, the Company also acquired a variable interest entity (“VIE”) and subsidiaries of the VIE effectively controlled by Daojia. There exists a parent-subsidiary relationship between Daojia and its VIE as a result of certain exclusive agreements that require Daojia to consolidate its VIE and subsidiaries of the VIE because Daojia is the primary beneficiary that possesses the power to direct the activities of the VIE that most significantly impact its economic performance, and is entitled to substantially all of the profits and has the obligation to absorb all of the expected losses of the VIE. The acquired VIE and its subsidiaries were considered immaterial, both individually and in the aggregate. The results of Daojia’s operations have been included in the Company’s Condensed Consolidated Financial Statements since the acquisition date.

Recently Adopted Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses for Accounts Receivable and Contract Assets* (“ASU 2025-05”), which provides the option to elect a practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. ASU 2025-05 is effective for the Company from January 1, 2026, with early adoption permitted. We adopted this standard on January 1, 2026, and elected to adopt the practical expedient prospectively. Such adoption did not have a material impact on our financial statements.

Note 3 – Business Acquisitions and Equity Investments

Consolidation of Hangzhou KFC and Equity Investment in Hangzhou Catering

In the fourth quarter of 2021, the Company completed its investment in a 28% equity interest in Hangzhou Catering, an entity holding a 45% equity interest in Hangzhou KFC, of which the Company previously held a 47% equity interest. Upon completion of the transaction, the Company directly and indirectly holds an approximately 60% equity interest in Hangzhou KFC and has majority representation on the board, and thus obtained control over Hangzhou KFC and started to consolidate its results from the acquisition date. In addition to its equity interest in Hangzhou KFC, Hangzhou Catering operates Chinese dining restaurants under four time-honored brands and a food processing business. The Company applies the equity method of accounting to the 28% equity interest in Hangzhou Catering excluding the Hangzhou KFC business and recorded this investment in Equity investments based on its then fair value. The Company elected to report its share of Hangzhou Catering’s financial results with a one-quarter lag because its results are not available in time for the Company to record them in the concurrent period. The Company’s equity earnings (losses) from Hangzhou Catering, net of taxes, were immaterial for both years to date ended June 30, 2026 and 2025, and included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statements of Income. As of June 30, 2026 and December 31, 2025, the carrying amount of the Company’s equity method investment in Hangzhou Catering was \$58 million and \$54 million, respectively, exceeding the Company’s interest in Hangzhou Catering’s underlying net assets by \$22 million and \$22 million, respectively. Substantially all of this difference was attributable to its self-owned properties and impact of related deferred tax liabilities determined upon acquisition, which is being depreciated over a weighted-average remaining useful life of 20 years.

The purchase amount from Hangzhou Catering was immaterial for both years to date ended June 30, 2026 and 2025. The Company’s accounts payable and other current liabilities due to Hangzhou Catering were immaterial as of both June 30, 2026 and December 31, 2025.

Fujian Sunner Development Co., Ltd. (“Sunner”) Investment

In the first quarter of 2021, the Company acquired a 5% equity interest in Sunner, a Shenzhen Stock Exchange-listed company. Sunner is China’s largest white-feathered chicken producer and the Company’s largest poultry supplier.

In May 2021, the Company obtained one seat on Sunner's board of directors upon Sunner's shareholder approval. The representation on the board, along with the Company being one of Sunner's significant shareholders, provides the Company with the ability to exercise significant influence over the operating and financial policies of Sunner. As a result, the Company started to apply the equity method of accounting to the investment in May 2021 based on its then fair value. The Company elected to report its share of Sunner's financial results with a one-quarter lag because Sunner's results are not available in time for the Company to record them in the concurrent period. The Company's equity earnings from Sunner, net of taxes, was \$3 million for both years to date ended June 30, 2026 and 2025, which were included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statements of Income.

The Company purchased inventories of \$201 million and \$175 million for the years to date ended June 30, 2026 and 2025, respectively. The Company's accounts payable and other current liabilities due to Sunner were \$43 million and \$34 million as of June 30, 2026 and December 31, 2025, respectively.

As of June 30, 2026 and December 31, 2025, the carrying amount of the Company's investment in Sunner was \$240 million and \$231 million, respectively, exceeding the Company's interest in Sunner's underlying net assets by \$157 million and \$153 million, respectively. As of June 30, 2026 and December 31, 2025, \$14 million and \$15 million of these basis differences were related to finite-lived intangible assets determined upon acquisition, respectively, which are being amortized over the estimated useful life of 20 years. The remaining differences were related to goodwill and indefinite-lived intangible assets, which are not subject to amortization, as well as deferred tax liabilities impact. As of June 30, 2026 and December 31, 2025, the market value of the Company's investment in Sunner was \$139 million and \$147 million based on its quoted closing price, respectively.

Meituan Dianping ("Meituan") Investment

In the third quarter of 2018, the Company subscribed for 8.4 million, or less than 1%, of the ordinary shares of Meituan, a delivery aggregator in China, for a total consideration of approximately \$74 million, when it launched its initial public offering on the HKEX in September 2018. In the second quarter of 2020, the Company sold 4.2 million of the ordinary shares of Meituan.

The Company accounts for the equity securities at fair value with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. The fair value of the investment in Meituan is determined based on the closing market price for the shares at the end of each reporting period. The fair value change, to the extent the closing market price of shares of Meituan as of the end of reporting period is higher than our cost, is subject to U.S. tax.

A summary of pre-tax gains or losses on investment in equity securities of Meituan recognized, which were included in Investment gain (loss) in our Condensed Consolidated Statements of Income, is as follows:

	Year to Date Ended	
	6/30/2026	6/30/2025
Unrealized loss recorded on equity securities held as of the end of the period	\$ (19)	\$ (15)

Other Equity Investments

In addition, the Company has strategic equity investments in its eco-system partners, including food and information technology service suppliers. For investments over which the Company has significant influence but does not control, the Company applies equity method to account for such investments. These investments were immaterial both individually and in aggregate, totaling \$31 million and \$30 million as of June 30, 2026 and December 31, 2025, respectively. The Company purchased inventories or services from these investees and the purchase amounts were immaterial for both years to date ended June 30, 2026 and 2025.

In the first quarter of 2025, the Company completed a strategic investment in SnowValley Agricultural Group, one of the Company's key suppliers for potato and a private company, for a total consideration of \$14 million. The investment contains certain preferential rights, including the right to redeem shares at the Company's option upon contingent events, and is therefore accounted for as available-for-sale debt securities measured at the estimated fair value. The unrealized gains or losses, arising from the change in fair value, net of tax, is recognized in Other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income. As of both June 30, 2026 and December 31, 2025, the carrying amount of the investment was \$15 million and fair value change was nil for both years to date ended June 30, 2026 and 2025.

Note 4 – Revenue Recognition

The Company's revenues include Company sales, Franchise fees and income, Revenues from transactions with franchisees, and Other revenues.

Company Sales

Revenues from Company-owned restaurants are recognized when a customer takes possession of the food and tenders payment, which is when our obligation to perform is satisfied. The Company presents sales net of sales-related taxes. We also offer our customers delivery through both our own mobile applications and third-party aggregators' platforms. We use both our dedicated riders and platform riders to deliver orders. When orders are fulfilled by our dedicated riders or platform riders, we control and determine the price for the delivery service and generally recognize revenue, including delivery fees, when a customer takes possession of the food. When orders are fulfilled by the delivery staff of third-party aggregators, who control and determine the price for the delivery service, we recognize revenue, excluding delivery fees, when control of the food is transferred to the third-party aggregators' delivery staff. The payment terms with respect to these sales are short-term in nature.

We recognize revenues from prepaid stored-value products, including gift cards and product vouchers, when they are redeemed by the customer. Prepaid gift cards sold at any given point generally expire over the next 36 months, and product vouchers generally expire over a period of up to 12 months. We recognize breakage revenue, which is the amount of prepaid stored-value products that is not expected to be redeemed, either (1) proportionally in earnings as redemptions occur, in situations where the Company expects to be entitled to a breakage amount, or (2) when the likelihood of redemption is remote, in situations where the Company does not expect to be entitled to breakage, provided that there is no requirement for remitting balances to government agencies under unclaimed property laws. The Company reviews its breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns.

Our privilege membership programs offer privilege members rights to multiple benefits, such as free delivery and discounts on certain products. For certain privilege membership programs offering a pre-defined amount of benefits that can be redeemed ratably over the membership period, revenue is ratably recognized over the period based on the elapse of time. With respect to privilege membership programs offering members a mix of distinct benefits, including a welcome gift and assorted discount coupons with pre-defined quantities, consideration collected is allocated to the benefits provided based on their relative standalone selling price and revenue is recognized when food or services are delivered or the benefits expire. In determining the relative standalone selling price of the benefits, the Company considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Franchise Fees and Income

Franchise fees and income primarily include a combination of upfront franchise fees and continuing fees. We have determined that the services we provide in exchange for upfront franchise fees and continuing fees are highly interrelated with the franchise right. We recognize upfront franchise fees received from a franchisee as revenue over the term of the franchise agreement or the renewal agreement because the franchise rights are accounted for as rights to access our symbolic intellectual property. The franchise agreement term is generally 10 years for KFC and Pizza Hut, generally five years for Little Sheep and three to 10 years for Huang Ji Huang. We recognize continuing fees, which are based upon a percentage of franchisee sales, as those sales occur.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees consist primarily of sales of food and paper products, advertising services, delivery services and other services provided to franchisees.

The Company centrally purchases substantially all food and paper products from suppliers for substantially all of our restaurants, including franchisees, and then sells and delivers them to the restaurants. In addition, the Company owns seasoning facilities for its Chinese dining business unit, which primarily manufacture and sell seasoning products to Huang Ji Huang and Little Sheep franchisees. The Company also provides delivery services to franchisees. The performance obligation arising from such transactions is considered distinct from the franchise agreement as it is not highly dependent on the franchise agreement and the customer can benefit from such services on its own. We consider ourselves the principal in this arrangement as we have the ability to control a promised good or service before transferring that good or service to the franchisees. Revenue is recognized upon transfer of control over ordered items or services, generally upon delivery to the franchisees.

For advertising services, the Company often engages third parties to provide services and acts as a principal in the transaction based on our responsibilities of defining the nature of the services and administering and directing all marketing and advertising programs in accordance with the provisions of our franchise agreements. The Company collects advertising contributions, which are generally based on certain percentage of sales from substantially all of our restaurants, including franchisees. Other services provided to franchisees consist primarily of customer and technology support services. Advertising services and other services provided are highly interrelated to franchise right, and are not considered individually distinct. We recognize revenue when the related sales occur.

Other Revenues

Other revenues primarily include i) sales of products to customers through e-commerce channels, sales of Lavazza coffee retail products beyond Lavazza coffee shops, and sales of our seasoning products to distributors, and ii) revenues from logistics and warehousing services provided to third parties through our supply chain network. Our segment disclosures also include revenues relating to delivery services that were provided to our Company-owned restaurants and, therefore, were eliminated for consolidation purposes.

Other revenues are recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Loyalty Programs

Each of the Company's KFC and Pizza Hut reportable segments operates a loyalty program that allows registered members to earn points for each qualifying purchase. Points, which generally expire 18 months after being earned, may be redeemed for future purchases of KFC or Pizza Hut branded products or other products for free or at a discounted price. Points cannot be redeemed or exchanged for cash. The estimated value of points earned by the loyalty program members is recorded as a reduction of revenue at the time the points are earned, based on the percentage of points that are projected to be redeemed, with a corresponding deferred revenue liability included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets and subsequently recognized into revenue when the points are redeemed or expire. The Company estimates the value of the future redemption obligations based on the estimated value of the product for which points are expected to be redeemed and historical redemption patterns and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Disaggregation of Revenue

The following tables present revenue disaggregated by types of arrangements and segments:

Revenues	Year to Date Ended 6/30/2026						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Combined	Elimination	Consolidated
Company sales	\$ 4,704	\$ 1,231	\$ 22	\$ —	\$ 5,957	\$ —	\$ 5,957
Franchise fees and income	47	6	6	—	59	—	59
Revenues from transactions with franchisees	38	5	51	217	311	—	311
Other revenues	2	6	483	47	538	(456)	82
Total revenues	<u>\$ 4,791</u>	<u>\$ 1,248</u>	<u>\$ 562</u>	<u>\$ 264</u>	<u>\$ 6,865</u>	<u>\$ (456)</u>	<u>\$ 6,409</u>

Revenues	Year to Date Ended 6/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Combined	Elimination	Consolidated
Company sales	\$ 4,267	\$ 1,129	\$ 18	\$ —	\$ 5,414	\$ —	\$ 5,414
Franchise fees and income	40	4	7	—	51	—	51
Revenues from transactions with franchisees	33	3	36	164	236	—	236
Other revenues	2	13	342	34	391	(324)	67
Total revenues	<u>\$ 4,342</u>	<u>\$ 1,149</u>	<u>\$ 403</u>	<u>\$ 198</u>	<u>\$ 6,092</u>	<u>\$ (324)</u>	<u>\$ 5,768</u>

Accounts Receivable

Accounts receivable primarily consist of trade receivables and royalties from franchisees, and are generally due within 30 days of the period in which the corresponding sales occur. Our provision of credit losses for accounts receivable is based upon the current expected credit losses ("CECL") model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience, adjusted for relevant factors impacting collectability and forward-looking information. Upon adoption of ASU 2025-05 on January 1, 2026, the Company elected the practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of accounts receivable. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Accounts receivable that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. As of both June 30, 2026 and December 31, 2025, the ending balances of provision for accounts receivable were \$2 million, and amounts of accounts receivable past due were immaterial.

Costs to Obtain Contracts

Costs to obtain contracts primarily consist of license fees that are payable to YUM in relation to our deferred revenue of prepaid stored-value products, privilege membership programs and customer loyalty programs. They meet the requirements to be capitalized as they are incremental costs of obtaining contracts with customers and the Company expects to generate future economic benefits from such costs incurred. Such costs to obtain contracts are included in Other assets and Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets and are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The Company did not incur any impairment losses related to costs to obtain contracts during any of the periods presented. Costs to obtain contracts were \$7 million and \$6 million as of June 30, 2026 and December 31, 2025, respectively.

Contract Liabilities

Contract liabilities at June 30, 2026 and December 31, 2025 were as follows:

Contract liabilities	6/30/2026	12/31/2025
– Deferred revenue related to prepaid stored-value products	\$ 147	\$ 133
– Deferred revenue related to upfront franchise fees	56	57
– Deferred revenue related to customer loyalty programs	19	18
– Deferred revenue related to privilege membership programs	43	44
Total	\$ 265	\$ 252

Contract liabilities primarily consist of deferred revenue related to prepaid stored-value products, privilege membership programs, customer loyalty programs and upfront franchise fees, including initial fees and pre-opening service fees. Deferred revenue related to prepaid stored-value products, privilege membership programs and customer loyalty programs is included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets. Deferred revenue related to upfront franchise fees that we expect to recognize as revenue in the next 12 months is included in Accounts payable and other current liabilities, and the remaining balance is included in Other liabilities in the Condensed Consolidated Balance Sheets. Revenue recognized that was included in the contract liability balance at the beginning of each period amounted to \$86 million and \$80 million for the years to date ended June 30, 2026 and 2025, respectively. Changes in contract liability balances were not materially impacted by business acquisition, change in estimate of transaction price or any other factors during any of the periods presented.

The Company has elected, as a practical expedient, not to disclose the value of remaining performance obligations associated with sales-based royalty promised to franchisees in exchange for franchise right and other related services. The remaining duration of the performance obligation is the remaining contractual term of each franchise agreement. We recognize continuing franchisee fees and revenues from advertising services and other services provided to franchisees based on a certain percentage of sales, as those sales occur.

Note 5 – Earnings Per Common Share (“EPS”)

The following table summarizes the components of basic and diluted EPS (in millions, except per share data):

	Year to Date Ended	
	6/30/2026	6/30/2025
Net Income – Yum China Holdings, Inc.	\$ 553	\$ 507
Weighted-average common shares outstanding (for basic calculation) ^(a)	350	374
Effect of dilutive share-based awards ^(a)	1	2
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation) ^(a)	351	376
Basic Earnings Per Common Share	\$ 1.58	\$ 1.36
Diluted Earnings Per Common Share	\$ 1.57	\$ 1.35
Share-based awards excluded from the diluted EPS computation ^(b)	3	3

- (a) As a result of the separation, shares of Yum China common stock were distributed to YUM's shareholders of record as of October 19, 2016 and were included in the calculated weighted-average common shares outstanding. Holders of outstanding YUM equity awards generally received both adjusted YUM awards and Yum China awards, or adjusted awards of either YUM or Yum China in their entirety. Any subsequent exercise of these awards, whether held by the Company's employees or YUM's employees, would increase the number of common shares outstanding. The incremental shares arising from outstanding equity awards are included in the computation of diluted EPS, if there is dilutive effect.
- (b) These outstanding stock appreciation rights ("SARs"), restricted stock units ("RSUs") and performance stock units ("PSUs") were excluded from the computation of diluted EPS because to do so would have been antidilutive for the periods presented, or because certain awards are contingently issuable based on the achievement of performance and market conditions, which have not been met as of June 30, 2026 and 2025.

Note 6 – Equity

Share Repurchase and Retirement

As of June 30, 2026, our Board of Directors authorized an aggregate of \$5.4 billion for our share repurchase program, including its most recent increase in authorization in December 2025. During the years to date ended June 30, 2026 and 2025, the Company repurchased 10.7 million shares of common stock for \$515 million, and 7.7 million shares of common stock for \$356 million, respectively, under the repurchase program, excluding transaction costs and excise tax. As of June 30, 2026, approximately \$641 million remained available for future share repurchases under the authorization.

Of the shares repurchased for the year to date ended June 30, 2026, 10.4 million shares were retired and resumed the status of authorized and unissued shares of common stock, and 0.3 million shares repurchased on the HKEX were retired subsequent to June 30, 2026, and included in Treasury stock in the Condensed Consolidated Financial Statements.

The Inflation Reduction Act of 2022 ("IRA"), which is discussed further in Note 12, imposes an excise tax of 1% on net share repurchases that occur after December 31, 2022. Excise tax on net share repurchases, which was recognized as part of the cost of the shares repurchased, amounted to \$5 million and \$3 million for the years to date ended June 30, 2026 and 2025, respectively.

Note 7 – Supplemental Balance Sheet Information

Accounts Receivable, net

	6/30/2026	12/31/2025
Accounts receivable, gross	\$ 117	\$ 97
Allowance for doubtful accounts	(2)	(2)
Accounts receivable, net	<u>\$ 115</u>	<u>\$ 95</u>

The Company generally allows its customers a credit period within 30 days of the period in which the corresponding sales occur or the invoices are issued. An aging analysis of accounts receivable as of June 30, 2026 and December 31, 2025, based on the date of delivering goods and services, is as follows:

	6/30/2026	12/31/2025
Within 30 days	\$ 93	\$ 79
31-90 days	19	15
Over 91 days	5	3
Total	<u>\$ 117</u>	<u>\$ 97</u>

Prepaid Expenses and Other Current Assets

	6/30/2026	12/31/2025
Value-added tax ("VAT") assets	\$ 159	\$ 142
Receivables from payment processors and aggregators	61	72
Deposits, primarily lease deposits	24	24
Interest receivables	19	100
Other prepaid expenses and current assets	127	102
Prepaid expenses and other current assets	<u>\$ 390</u>	<u>\$ 440</u>

<u>Property, Plant and Equipment (“PP&E”)</u>	<u>6/30/2026</u>	<u>12/31/2025</u>
Buildings and improvements, and construction in progress	\$ 3,464	\$ 3,340
Finance leases, primarily buildings	93	90
Machinery and equipment	2,163	2,035
PP&E, gross	5,720	5,465
Accumulated depreciation	(3,097)	(2,922)
PP&E, net	<u>\$ 2,623</u>	<u>\$ 2,543</u>

<u>Equity Investments</u>	<u>6/30/2026</u>	<u>12/31/2025</u>
Investment in equity method investees	\$ 329	\$ 315
Investment in equity securities	38	57
Investment in available-for-sale debt securities	15	15
Equity investments	<u>\$ 382</u>	<u>\$ 387</u>

<u>Other Assets</u>	<u>6/30/2026</u>	<u>12/31/2025</u>
Prepayment for acquisition of PP&E ^(a)	\$ 125	\$ 122
Long-term deposits, primarily lease deposits	106	104
Land use right	99	98
VAT assets	14	14
Costs to obtain contracts	6	6
Others	24	18
Other assets	<u>\$ 374</u>	<u>\$ 362</u>

(a) Primarily includes a prepayment made in relation to the acquisition of a building located in Shanghai to house the Company’s headquarters and flagship stores, which is currently expected to be delivered to the Company in 2027.

<u>Accounts Payable and Other Current Liabilities</u>	<u>6/30/2026</u>	<u>12/31/2025</u>
Accounts payable	\$ 960	\$ 793
Operating lease liabilities	433	438
Contract liabilities	218	205
Accrued compensation and benefits	202	261
Accrued capital expenditures	150	166
Dividends payable	113	51
Accrued marketing expenses	16	40
Other current liabilities	171	173
Accounts payable and other current liabilities	<u>\$ 2,263</u>	<u>\$ 2,127</u>

An aging analysis of the accounts payable as of June 30, 2026 and December 31, 2025 is as follows:

	<u>6/30/2026</u>	<u>12/31/2025</u>
Within 60 days	\$ 958	\$ 792
Over 60 days	2	1
Total	<u>\$ 960</u>	<u>\$ 793</u>

The accounts payable consist of invoiced and certain accrued balances, and are generally repaid within one to two months depending on payment term and the invoice date. Accrued accounts payable reflect payable of goods and services that have not yet been invoiced to the Company, and will be reclassified to invoiced accounts payable when invoices are received. Aging analysis of invoiced accounts payable has been presented based on invoice date and the amounts of accrued accounts payable were categorized as within 60 days.

<u>Other Liabilities</u>	<u>6/30/2026</u>	<u>12/31/2025</u>
Contract liabilities	\$ 47	\$ 47
Accrued income tax payable	20	24
Other non-current liabilities	92	87
Other liabilities	<u>\$ 159</u>	<u>\$ 158</u>

Note 8 – Goodwill and Intangible Assets

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

	Total Company	KFC	Pizza Hut	All Other Segments
Balance as of December 31, 2025				
Goodwill, gross	\$ 2,354	\$ 1,870	\$ 19	\$ 465
Accumulated impairment losses ^(a)	(391)	—	—	(391)
Goodwill, net	1,963	1,870	19	74
Effect of currency translation adjustments	58	55	1	2
Balance as of June 30, 2026				
Goodwill, gross	2,412	1,925	20	467
Accumulated impairment losses ^(a)	(391)	—	—	(391)
Goodwill, net	\$ 2,021	\$ 1,925	\$ 20	\$ 76

(a) Accumulated impairment losses represent goodwill impairment attributable to the reporting units of Little Sheep and Daojia.

Intangible assets, net as of June 30, 2026 and December 31, 2025 are as follows:

	6/30/2026				12/31/2025			
	Gross Carrying Amount ^(a)	Accumulated Amortization ^(a)	Accumulated Impairment Losses ^(b)	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Losses ^(b)	Net Carrying Amount
Finite-lived intangible assets								
Reacquired franchise rights	\$ 281	\$ (279)	\$ —	\$ 2	\$ 274	\$ (271)	\$ —	\$ 3
Huang Ji Huang franchise related assets	21	(7)	—	14	21	(7)	—	14
Daojia platform	9	(2)	(7)	—	9	(2)	(7)	—
Customer-related assets	11	(10)	(1)	—	11	(10)	(1)	—
Others	9	(6)	—	3	9	(6)	—	3
	<u>\$ 331</u>	<u>\$ (304)</u>	<u>\$ (8)</u>	<u>\$ 19</u>	<u>\$ 324</u>	<u>\$ (296)</u>	<u>\$ (8)</u>	<u>\$ 20</u>
Indefinite-lived intangible assets								
Little Sheep trademark	\$ 53	\$ —	\$ —	\$ 53	\$ 51	\$ —	\$ —	\$ 51
Huang Ji Huang trademark	79	—	—	79	77	—	—	77
	<u>\$ 132</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 132</u>	<u>\$ 128</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 128</u>
Total intangible assets	<u>\$ 463</u>	<u>\$ (304)</u>	<u>\$ (8)</u>	<u>\$ 151</u>	<u>\$ 452</u>	<u>\$ (296)</u>	<u>\$ (8)</u>	<u>\$ 148</u>

(a) Changes in gross carrying amount and accumulated amortization include the effect of currency translation adjustments.

(b) Accumulated impairment losses represent impairment charges on intangible assets acquired from Daojia primarily attributable to the Daojia platform.

Amortization expense for finite-lived intangible assets was \$1 million for both years to date ended June 30, 2026 and 2025. As of June 30, 2026, expected amortization expense for the unamortized finite-lived intangible assets was \$1 million for the remainder of 2026 and \$2 million in each of 2027, 2028, 2029 and 2030.

Note 9 – Short-term Borrowings

As of June 30, 2026 and December 31, 2025, we had outstanding short-term bank borrowings of \$66 million and \$30 million, respectively, mainly to manage working capital at our operating subsidiaries. The bank borrowings were RMB denominated, with a weighted-average interest rate of 1.4% and 1.5%, respectively, and were due within one year from their issuance dates.

Note 10 – Leases

As of June 30, 2026, we leased over 15,700 properties in China for our Company-owned restaurants. We generally enter into lease agreements for our restaurants with initial terms of 10 to 20 years. Most of our lease agreements contain termination options that permit us to terminate the lease agreement early if the restaurant profit is negative for a specified period of time. We generally do not have renewal options for our leases. Such options are accounted for only when it is reasonably certain that we will exercise the options. The rent under the majority of our current restaurant lease agreements is generally payable in one of three ways: (i) fixed rent; (ii) the higher of a fixed base rent or a percentage of the restaurant's sales; or (iii) a percentage of the restaurant's sales. Most leases require us to pay common area maintenance fees for the leased property. In addition to restaurants leases, we also lease office spaces, logistics centers and equipment. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In limited cases, we sub-lease certain restaurants to franchisees in connection with refranchising transactions or lease our properties to other third parties. The lease payments under these leases are generally based on the higher of a fixed base rent or a percentage of the restaurant's annual sales. Income from sub-lease agreements with franchisees or lease agreements with other third parties are included in Franchise fees and income and Other revenues, respectively, within our Condensed Consolidated Statements of Income.

Supplemental Balance Sheet

	6/30/2026	12/31/2025	Account Classification
Assets			
Operating lease right-of-use assets	\$ 2,114	\$ 2,189	Operating lease right-of-use assets
Finance lease right-of-use assets	49	49	PP&E, net
Total leased assets^(a)	\$ 2,163	\$ 2,238	
Liabilities			
Current			
Operating lease liabilities	\$ 433	\$ 438	Accounts payable and other current liabilities
Finance lease liabilities	6	6	Accounts payable and other current liabilities
Non-current			
Operating lease liabilities	1,747	1,823	Non-current operating lease liabilities
Finance lease liabilities	50	51	Non-current finance lease liabilities
Total lease liabilities^(a)	\$ 2,236	\$ 2,318	

Summary of Lease Cost

	Year to Date Ended		Account Classification
	6/30/2026	6/30/2025	
Operating lease cost	\$ 256	\$ 246	Occupancy and other operating expenses, G&A or Franchise expenses
Finance lease cost			
Amortization of leased assets	3	3	Occupancy and other operating expenses
Interest on lease liabilities	1	1	Interest income, net
Variable lease cost	238	218	Occupancy and other operating expenses or Franchise expenses
Short-term lease cost	5	7	Occupancy and other operating expenses or G&A
Sub-lease income	(9)	(9)	Franchise fees and income or Other revenues
Total lease cost	\$ 494	\$ 466	

- (a) As of June 30, 2026, excluding the impact of foreign currency translation, right-of-use ("ROU") assets decreased, primarily due to the amortization of assets relating to existing leases with fixed lease payments and a higher portion of our leases with variable lease payments. The decrease of lease liabilities, excluding the impact of foreign currency translation, was consistent with the decrease of ROU assets.

Supplemental Cash Flow Information

	Year to Date Ended	
	6/30/2026	6/30/2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 251	\$ 253
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	3	3
Right-of-use assets obtained in exchange for lease liabilities ^(b) :		
Operating leases	\$ 61	\$ 113
Finance leases	1	1

- (b) This supplemental non-cash disclosure for ROU assets obtained in exchange for lease liabilities includes an increase in lease liabilities associated with obtaining new ROU assets of \$122 million and \$126 million for the years to date ended June 30, 2026 and 2025, as well as adjustments to lease liabilities or ROU assets due to modification or other reassessment events, which resulted in a \$60 million and \$12 million decrease in lease liabilities for the years to date ended June 30, 2026 and 2025, respectively.

Lease Term and Discount Rate

	6/30/2026	6/30/2025
Weighted-average remaining lease term (years)		
Operating leases	6.7	6.8
Finance leases	10.0	10.6
Weighted-average discount rate		
Operating leases	3.9%	4.3%
Finance leases	4.0%	4.5%

Summary of Future Lease Payments and Lease Liabilities

Maturities of lease liabilities as of June 30, 2026 were as follows:

	Amount of Operating Leases	Amount of Finance Leases	Total
Remainder of 2026	\$ 272	\$ 4	\$ 276
2027	455	8	463
2028	396	7	403
2029	331	7	338
2030	274	7	281
Thereafter	751	35	786
Total undiscounted lease payment	2,479	68	2,547
Less: imputed interest ^(c)	299	12	311
Present value of lease liabilities	<u>\$ 2,180</u>	<u>\$ 56</u>	<u>\$ 2,236</u>

- (c) As the rate implicit in the lease cannot be readily determined, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the imputed interest and present value of lease payments. We used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date.

As of June 30, 2026, we have additional lease agreements that have been signed but not yet commenced, with total undiscounted minimum lease payments of \$77 million. These leases will commence between the third quarter of 2026 and 2027 with lease terms of 1 year to 20 years.

Note 11 – Fair Value Measurements and Disclosures

The Company's financial assets and liabilities primarily consist of cash and cash equivalents, short-term investments, long-term bank deposits and notes, accounts receivable, accounts payable, short-term borrowings and lease liabilities, and the carrying values of these assets and liabilities approximate their fair value in general.

The Company's financial assets also include its investment in equity securities and available-for-sale debt securities as disclosed in Note 3. Investment in equity securities is measured at fair value based on the closing market price for the shares at the end of each reporting period, with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. Investment in available-for-sale debt securities is measured at estimated fair value with subsequent fair value changes recorded in Other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The following table is a summary of our financial assets measured on a recurring basis or disclosed at fair value and the level within the fair value hierarchy in which the measurement falls. The Company classifies its cash equivalents, short-term investments, long-term bank deposits and notes, and investment in equity securities within Level 1 or Level 2 in the fair value hierarchy because it uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value, respectively. The Company classifies its investment in available-for-sale debt securities in Level 3 in the fair value hierarchy because it is valued based on unobservable inputs. No transfers among the levels within the fair value hierarchy occurred during the years to date ended June 30, 2026 and 2025.

	Balance at June 30, 2026	Fair Value Measurement or Disclosure at June 30, 2026		
		Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities ^(a)	\$ 149		\$ 149	
Money market funds	46	46		
Time deposits	38		38	
Total cash equivalents	233	46	187	—
Short-term investments:				
Variable return investments	483	483		
Fixed income debt securities ^(a)	170		170	
Time deposits	154		154	
Structured deposits	94		94	
Total short-term investments	901	483	418	—
Long-term bank deposits and notes:				
Time deposits	359		359	
Variable return investments	154		154	
Fixed income bank notes ^(a)	150		150	
Structured deposits	25		25	
Total long-term bank deposits and notes	688	—	688	—
Equity investments:				
Investment in equity securities	38	38		
Investment in available-for-sale debt securities	15			15
Total equity investments	53	38	—	15
Total	\$ 1,875	\$ 567	\$ 1,293	\$ 15

	Balance at December 31, 2025	Fair Value Measurement or Disclosure at December 31, 2025		
		Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities ^(a)	\$ 185	\$ 43	\$ 142	
Money market funds	93	93		
Total cash equivalents	278	136	142	—
Short-term investments:				
Time deposits	420		420	
Fixed income debt securities ^(a)	200		200	
Variable return investments	162	162		
Structured deposits	96		96	
Total short-term investments	878	162	716	—
Long-term bank deposits and notes:				
Time deposits	352		352	
Variable return investments	151		151	
Fixed income bank notes	150		150	
Structured deposits	25		25	
Total long-term bank deposits and notes	678	—	678	—
Equity investments:				
Investment in equity securities	57	57		
Investment in available-for-sale debt securities	15			15
Total equity investments	72	57	—	15
Total	\$ 1,906	\$ 355	\$ 1,536	\$ 15

(a) Classified as held-to-maturity investments and measured at amortized cost.

The Company is required to provide bank deposits, insurance or guarantees to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. \$21 million of time deposits in Long-term bank deposits and notes were restricted for use as of June 30, 2026, and \$29 million of time deposits in Short-term investments and \$34 million of time deposits in Long-term bank deposits and notes were restricted for use as of December 31, 2025. The decrease in such investments was primarily due to the increased use of bank guarantees by the Company to secure a portion of prepaid stored-value cards.

Non-Recurring Fair Value Measurements

In addition, certain of the Company's restaurant-level assets (including operating lease ROU assets and PP&E), goodwill and intangible assets are measured at fair value based on unobservable inputs (Level 3) on a non-recurring basis, if determined to be impaired.

In determining the fair value of restaurant-level assets, the Company considered the highest and best use of the assets from market participants' perspective, which is represented by the higher of the forecasted discounted cash flows from operating restaurants and the price that market participants would pay to sub-lease the operating lease ROU assets and acquire remaining restaurant assets, even if that use differs from the current use by the Company. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make, such as sales growth, and include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The discount rate used in the fair value calculation is our estimate of the required rate-of-return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. Estimates of the price market participants would pay to sub-lease the operating lease ROU assets are based on comparable market rental information that could be reasonably obtained for the property. In situations where the highest and best use of the restaurant-level assets from market participants' perspective is represented by sub-leasing the operating lease ROU assets and acquiring remaining restaurant assets, the Company continues to use these assets in operating its restaurant business, which is consistent with its long-term strategy of growing revenue through operating restaurant concepts.

As of each relevant measurement date, the fair value of restaurant-level assets, if determined to be impaired, is primarily represented by a price that a market participant would pay to sub-lease the operating lease ROU assets and acquire the remaining restaurant assets, which reflects the highest and best use of the assets. Significant unobservable inputs used in the fair value measurement include market rental prices, which were determined with the assistance of an independent valuation specialist. The direct comparison approach is used as the valuation technique by assuming a sub-lease of each of the properties in its existing state with vacant possession. By making reference to lease transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for any difference in factors such as location and property size.

The following table presents amounts recognized from all non-recurring fair value measurements based on unobservable inputs (Level 3) during the years to date ended June 30, 2026 and 2025. These amounts exclude fair value measurements made for restaurants that were subsequently closed or refranchised prior to those respective period-end dates.

	Year to Date Ended		Account Classification
	6/30/2026	6/30/2025	
Restaurant-level impairment ^(a)	\$ 7	\$ 8	Closure and impairment expenses, net

- (a) Restaurant-level impairment charges are recorded in Closures and impairment expenses, net and resulted mainly from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. After considering the impairment charges recorded during the corresponding periods, the fair value of such assets as of June 30, 2026 and 2025 was \$19 million and \$23 million, respectively.

Note 12 – Income Taxes

	Year to Date Ended	
	6/30/2026	6/30/2025
Income tax provision	\$ 215	\$ 199
Effective tax rate	26.6%	26.9%

The lower effective tax rate for the year to date ended June 30, 2026 was primarily due to higher excess tax benefits upon exercise of share-based awards.

In December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”), which included a broad range of tax reforms. The Tax Act requires a U.S. shareholder to be subject to tax on Global Intangible Low Taxed Income (“GILTI”) earned by certain foreign subsidiaries. We have elected the option to account for current year GILTI tax as a period cost as incurred, and therefore included it in estimating the annual effective tax rate.

In August 2022, the IRA was signed into law in the U.S., which contains certain tax measures, including a Corporate Alternative Minimum Tax (“CAMT”) of 15% on certain large corporations. On December 27, 2022, the U.S. Treasury Department and the Internal Revenue Service (the “IRS”) released Notice 2023-7, announcing their intention to issue proposed regulations addressing the application of the new CAMT. Additional notices or proposed regulations were released subsequently to continue to provide interim guidance regarding certain CAMT issues before proposed regulations are published. The Company will monitor the regulatory developments and continue to evaluate the impact on our financial statements, if any.

In December 2022, a refined Foreign Sourced Income Exemption (“FSIE”) regime was published in Hong Kong and took effect from January 1, 2023. Under the new FSIE regime, certain foreign sourced income would be deemed as being sourced from Hong Kong and chargeable to Hong Kong Profits Tax, if the recipient entity fails to meet the prescribed exception requirements. Certain dividends, interests, intellectual property income and disposal gains, if any, received by us and our Hong Kong subsidiaries may be subject to the new tax regime. Based on our analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the developments and continue to evaluate the impact, if any.

The Organization for Economic Cooperation and Development (the “OECD”), the European Union and other jurisdictions (including jurisdictions in which we have operations or presence) have committed to enacting substantial changes to numerous long-standing tax principles impacting how large multinational enterprises are taxed. In particular, the OECD’s Pillar Two initiative introduced a 15% global minimum tax applied on a jurisdiction-by-jurisdiction basis, which many jurisdictions have enacted into their domestic law, with effective dates starting January 1, 2024. Based on our analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the regulatory developments and continue to evaluate the impact, if any.

In July 2025, the One Big Beautiful Bill Act (the “OBBBA”) was signed into law in the U.S. The OBBBA includes a broad range of provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and others. These provisions have multiple effective dates beginning in 2025. Based on our preliminary analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the regulatory developments and continue to evaluate the impact, if any.

We are subject to reviews, examinations and audits by Chinese tax authorities, the IRS and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the Chinese State Taxation Administration (the “STA”) in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with YUM. We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore, it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

Note 13 – Segment Reporting

We have two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell and our delivery operating segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. The Company’s chief operating decision maker (“CODM”) is the chief executive officer, who reviews the financial information of each operating segment when making decisions about allocating resources and assessing the performance of the segment.

Year to Date Ended 6/30/2026							
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated ^(a)	Combined	Elimination	Consolidated
Revenue from external customers	\$ 4,791	\$ 1,248	\$ 106	\$ 264 ^(b)	\$ 6,409	\$ —	\$ 6,409
Inter-segment revenue ^(c)	—	—	456	—	456	(456)	—
	4,791	1,248	562	264	6,865	(456)	6,409
Less:							
Food and paper	1,456	417	8	—	1,881	—	1,881
Payroll and employee benefits	1,273	339	6	—	1,618	(1)	1,617
Occupancy and other operating expenses	1,123	303	11	—	1,437	—	1,437
General and administrative expenses	128	54	14	80	276	—	276
Franchise expenses	21	3	—	—	24	—	24
Expenses for transactions with franchisees	30	4	48	216 ^(b)	298	—	298
Other operating costs and expenses	1	5	474 ^(c)	44	524	(455)	69
Closures and impairment expenses, net	10	1	1	—	12	—	12
Operating Profit (Loss)	749	122	—	(76)	795	—	795
Interest income, net ^(a)				28			28
Investment loss ^(a)				(17)			(17)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							\$ 806

Year to Date Ended 6/30/2025

	Corporate and Unallocated^(a) Year to Date Ended 6/30/2025						
	KFC	Pizza Hut	All Other Segments	Unallocated^(a)	Combined	Elimination	Consolidated
Revenue from external customers	\$ 4,342	\$ 1,149	\$ 79	\$ 198 ^(b)	\$ 5,768	\$ —	\$ 5,768
Inter-segment revenue ^(c)	—	—	324	—	324	(324)	—
	<u>4,342</u>	<u>1,149</u>	<u>403</u>	<u>198</u>	<u>6,092</u>	<u>(324)</u>	<u>5,768</u>
Less:							
Food and paper	1,316	363	5	—	1,684	—	1,684
Payroll and employee benefits	1,110	317	5	—	1,432	(1)	1,431
Occupancy and other operating expenses	1,055	292	10	—	1,357	—	1,357
General and administrative expenses	120	52	16	81	269	—	269
Franchise expenses	19	2	—	—	21	—	21
Expenses for transactions with franchisees	29	3	33	162 ^(b)	227	—	227
Other operating costs and expenses	2	11	335 ^(c)	34	382	(323)	59
Closures and impairment expenses, net	13	3	2	—	18	—	18
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	<u>678</u>	<u>106</u>	<u>(3)</u>	<u>(78)</u>	<u>703</u>	<u>—</u>	<u>703</u>
Interest income, net ^(a)				51			51
Investment loss ^(a)				(15)			(15)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							<u>\$ 739</u>

Depreciation and Amortization

	Year to Date Ended	
	6/30/2026	6/30/2025
KFC	\$ 166	\$ 150
Pizza Hut	46	47
All Other Segments	3	3
Corporate and Unallocated	22	19
	<u>\$ 237</u>	<u>\$ 219</u>

Impairment Charges

	Year to Date Ended	
	6/30/2026	6/30/2025
KFC ^(d)	\$ 14	\$ 14
Pizza Hut ^(d)	3	4
All Other Segments ^(d)	1	1
	<u>\$ 18</u>	<u>\$ 19</u>

Capital Spending

	Year to Date Ended	
	6/30/2026	6/30/2025
KFC	\$ 155	\$ 143
Pizza Hut	52	44
All Other Segments	3	1
Corporate and Unallocated	61	71
	<u>\$ 271</u>	<u>\$ 259</u>

	Total Assets	
	6/30/2026	12/31/2025
KFC	\$ 5,616	\$ 5,560
Pizza Hut	982	952
All Other Segments	314	308
Corporate and Unallocated ^(e)	3,959	3,963
	<u>\$ 10,871</u>	<u>\$ 10,783</u>

- (a) Amounts have not been allocated to any segment for performance reporting purposes.
- (b) Amounts from corporate and unallocated primarily include revenues and associated expenses of transactions with franchisees derived from the Company's central procurement model whereby the Company centrally purchases substantially all food and paper products from suppliers then sells and delivers to KFC and Pizza Hut restaurants, including franchisees. Amounts have not been allocated to any segment for purposes of making operating decisions or assessing financial performance as the transactions are deemed corporate revenues and expenses in nature.
- (c) Primarily includes revenues and associated costs generated from the delivery services that were provided to our Company-owned restaurants.
- (d) Primarily includes store closure impairment charges and restaurant-level impairment charges resulting from our semi-annual impairment evaluation.
- (e) Primarily includes cash and cash equivalents, short-term investments, long-term bank deposits and notes, equity investments, and inventories that are centrally managed and PP&E that are not specifically identifiable within each segment.

As substantially all of the Company's revenue is derived from the PRC and substantially all of the Company's long-lived assets are located in the PRC, no geographical information is presented. In addition, revenue derived from and long-lived assets located in the U.S., the Company's country of domicile, are immaterial.

Note 14 – Contingencies

Indemnification of China Tax on Indirect Transfers of Assets

In February 2015, the STA issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise, by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM concluded and we concurred that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the safe harbor provisions for group restructurings are to be interpreted, and how the taxing authorities will ultimately view the distribution. As a result, YUM's position could be challenged by Chinese tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As YUM's tax basis in the China business is minimal, the amount of such a tax could be significant.

Any tax liability arising from the application of Bulletin 7 to the distribution is expected to be settled in accordance with the tax matters agreement between the Company and YUM. Pursuant to the tax matters agreement, to the extent any Chinese indirect transfer tax pursuant to Bulletin 7 is imposed, such tax and related losses will be allocated between YUM and the Company in proportion to their respective share of the combined market capitalization of YUM and the Company during the 30 trading days after the separation. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition. At the inception of the tax indemnity being provided to YUM, the fair value of the non-contingent obligation to stand ready to perform was insignificant and the liability for the contingent obligation to make payment was not probable or estimable.

Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations from time to time. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Condensed Consolidated Financial Statements, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows. Matters faced by the Company from time to time include, but are not limited to, claims from landlords, employees, customers and others related to operational, contractual or employment issues.

Note 15 – Subsequent Events

Acquisition of Ownership of the Pizza Hut Brand in Mainland China

In August 2026, the Company completed the acquisition of ownership of the Pizza Hut brand in Mainland China at a cash consideration of \$1.2 billion and secured an approximately \$1.2 billion equivalent offshore bridge loan to finance the transaction. Upon closing, the Company will no longer be subject to the license fees previously payable to YUM for the Pizza Hut brand.

Amendment of Master License Agreement with YUM

In August 2026, the Company entered into an amended and restated master license agreement with YUM, pursuant to which the Company continues to be granted the exclusive right and license to use certain intellectual property associated with the KFC and Taco Bell brands in Mainland China in exchange for a license fee equal to 3% of net system sales, and will have the opportunity to earn certain annual financial incentives over the next twelve years from YUM based on the achievement of specified system sales growth targets for KFC China. The amendment also establishes a framework between the Company and YUM to discuss and develop a mutually agreed long-term growth plan for Taco Bell China, with remedies for any failure to agree upon or implement such a plan limited to the Taco Bell brand.

Cash Dividend

On July 30, 2026, the Company announced that the Board of Directors declared a cash dividend of \$0.29 per share on Yum China's common stock, payable on September 17, 2026, to stockholders of record as of the close of business on August 27, 2026. Total estimated cash dividend payable is approximately \$99 million.

Note 16– Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Company's Condensed Consolidated Financial Statements are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The effects of material differences between U.S. GAAP and IFRS Accounting Standards are as follows:

(i) Reconciliation of Condensed Consolidated Statements of Income:

	For the year to date ended June 30, 2026					
	Amounts as Reported under U.S. GAAP	Adjustments				Amounts under IFRS Accounting Standards
		Lease ^(a)	Share-based Compensation ^(b)	Deferred Taxes on Share-based Compensation ^(c)	Long-lived Assets Impairment ^(d)	Direct Marketing Costs ^(e)
Revenues						
Franchise fees and income	\$ 59	\$ (1)				\$ 58
Revenues from transactions with franchisees	311					312
Other revenues	82	—				82
Total revenues	6,409	(1)	—	—	—	6,409
Costs and Expenses, Net						
Company restaurants						
Payroll and employee benefits	1,617		—			1,617
Occupancy and other operating expenses	1,437	(42)			(1)	1,405
Company restaurant expenses	4,935	(42)	—	—	(1)	4,903
General and administrative expenses	276	(1)	—			275
Franchise expenses	24	(1)				23
Expenses for transactions with franchisees	298					299
Other operating costs and expenses	69	—				69
Closures and impairment expenses, net	12	(2)			1	11
Total costs and expenses, net	5,614	(46)	—	—	—	5,580
Operating Profit	795	45	—	—	—	829
Interest income (expense), net	28	(44)				(16)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments						
Income tax provision	806	1	—	—	—	796
Net income – including noncontrolling interests	(215)	—		(5)	—	(217)
Net income – noncontrolling interests	595	1	—	(5)	—	583
	42	—	—	—	—	42
Net Income – Yum China Holdings, Inc.	\$ 553	\$ 1	\$ —	\$ (5)	\$ —	\$ (8)
						\$ 541

For the year to date ended June 30, 2025

	Amounts as Reported under U.S. GAAP	Adjustments					Amounts under IFRS Accounting Standards
		Lease ^(a)	Share-based Compensation ^(b)	Deferred Taxes on Share-based Compensation ^(c)	Long-lived Assets Impairment ^(d)	Direct Marketing Costs ^(f)	
Revenues							
Franchise fees and income	\$ 51	\$ (2)				\$	49
Revenues from transactions with franchisees	236					(1)	235
Other revenues	67	(1)					66
Total revenues	5,768	(3)	—	—	—	(1)	5,764
Costs and Expenses, Net							
Company restaurants							
Payroll and employee benefits	1,431		—				1,431
Occupancy and other operating expenses	1,357	(42)			(1)	(11)	1,303
Company restaurant expenses	4,472	(42)	—	—	(1)	(11)	4,418
General and administrative expenses	269	(1)	(2)				266
Franchise expenses	21	(3)					18
Expenses for transactions with franchisees	227					(1)	226
Other operating costs and expenses	59	(1)					58
Closures and impairment expenses, net	18	(3)			1		16
Total costs and expenses, net	5,065	(50)	(2)	—	—	(12)	5,001
Operating Profit	703	47	2	—	—	11	763
Interest income (expense), net	51	(48)					3
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							
Income tax provision	739	(1)	2	—	—	11	751
Net income – including noncontrolling interests	(199)	—		(2)	—	(3)	(204)
Net income – noncontrolling interests	546	(1)	2	(2)	—	8	553
Net income – noncontrolling interests	39	—	—	—	—	—	39
Net Income – Yum China Holdings, Inc.	\$ 507	\$ (1)	\$ 2	\$ (2)	\$ —	\$ 8	\$ 514

(ii) Reconciliation of Condensed Consolidated Balance Sheets

As of June 30, 2026									
Adjustments									
Amounts as Reported under U.S. GAAP	Lease ^(a)	Share-based Compensation ^(b)	Deferred Taxes on Share-based Compensation ^(c)	Long-lived Assets Impairment ^(d)	Redeemable Noncontrolling Interest ^(e)	Direct Marketing Costs ^(f)	Amounts under IFRS Accounting Standards		
Current Assets									
Accounts receivable, net	\$ 115	\$ 2	—	—	—	—	\$ 117		
Total Current Assets	2,350	2	—	—	—	—	2,352		
Property, plant and equipment, net	2,623	(11)	—	—	(6)	—	2,606		
Operating lease right-of-use assets	2,114	(104)	—	—	—	—	2,010		
Deferred income tax assets	168	—	—	(1)	—	—	167		
Other assets	374	7	—	—	—	—	381		
Total Assets	10,871	(106)	—	(1)	(6)	—	10,758		
Current Liabilities									
Accounts payable and other current liabilities	2,263	—	—	—	—	11	2,274		
Total Current Liabilities	2,436	—	—	—	—	11	2,447		
Non-current operating and finance lease liabilities	1,797	—	—	—	—	—	1,797		
Deferred income tax liabilities	418	(24)	—	—	(2)	(3)	389		
Total Liabilities	4,810	(24)	—	—	(2)	8	4,792		
Equity									
Additional paid-in capital	3,696	2	22	—	(2)	—	3,718		
Retained earnings	1,696	(62)	(23)	(4)	2	(8)	1,599		
Accumulated other comprehensive loss	(25)	(7)	—	—	—	—	(32)		
Total Yum China Holdings, Inc. Stockholders' Equity	5,357	(69)	(1)	(4)	—	(8)	5,275		
Noncontrolling interests	704	(13)	—	—	—	—	691		
Total Equity	6,061	(82)	(1)	(4)	—	(8)	5,966		
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 10,871	\$ (106)	\$ (1)	\$ (6)	\$ —	\$ —	\$ 10,758		

As of December 31, 2025

	Amounts as Reported under U.S. GAAP	Adjustments					Amounts under IFRS Accounting Standards
		Lease ^(a)	Share-based Compensation ^(b)	Deferred Taxes on Share-based Compensation ^(c)	Long-lived Assets Impairment ^(d)	Redeemable Noncontrolling Interest ^(e)	
Current Assets							
Accounts receivable, net	\$ 95	\$ 2	—	—	—	—	\$ 97
Total Current Assets	2,357	2	—	—	—	—	2,359
Property, plant and equipment, net	2,543	(10)	—	—	(6)	—	2,527
Operating lease right-of-use assets	2,189	(102)	—	—	—	—	2,087
Deferred income tax assets	156	—	—	(1)	2	—	157
Other assets	362	6	—	—	—	—	368
Total Assets	10,783	(104)	—	(1)	(4)	—	10,674
Current Liabilities							
Accounts payable and other current liabilities	2,127	—	—	—	—	—	2,127
Total Current Liabilities	2,246	—	—	—	—	—	2,246
Non-current operating and finance lease liabilities	1,874	—	—	—	—	—	1,874
Deferred income tax liabilities	406	(24)	—	—	—	—	382
Total Liabilities	4,684	(24)	—	—	—	—	4,660
Equity							
Additional paid-in capital	3,796	—	2	17	—	(2)	3,813
Retained earnings	1,764	(63)	(2)	(18)	(4)	2	1,679
Accumulated other comprehensive loss	(157)	(4)	—	—	—	—	(161)
Total Yum China Holdings, Inc. Stockholders' Equity	5,379	(67)	—	(1)	(4)	—	5,307
Noncontrolling interests	720	(13)	—	—	—	—	707
Total Equity	6,099	(80)	—	(1)	(4)	—	6,014
Total Liabilities, Redeemable Noncontrolling Interest and Equity	\$ 10,783	\$ (104)	\$ —	\$ (1)	\$ (4)	\$ —	\$ 10,674

Notes:

(a) Lease

Lease Amortization

Under U.S. GAAP, there is a dual-classification lease accounting model for lessees: finance leases and operating leases. For operating leases, unless the right-of-use asset has been impaired, the amortization of right-of-use assets and the interest expense of lease liabilities are recorded together as a single lease cost on a straight-line basis over the remaining lease term.

Under IFRS Accounting Standards, all leases are classified as finance leases, where right-of-use assets are amortized on a straight-line basis and recorded in Costs and Expenses, Net above Operating profit, while interest expense of lease liabilities are recorded in Interest income (expense), net, under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term.

Sublease classification

Under U.S. GAAP, an intermediate lessor classifies a sub-lease as a finance lease or as an operating lease by reference to the underlying asset. Under IFRS Accounting Standards sub-lease classification is determined by reference to the right-of-use asset arising from the head lease, which may more frequently result in finance lease classification under IFRS Accounting Standards.

An intermediate lessor in an operating lease continues to amortize the underlying right-of-use asset, and records lease income on a straight-line basis over the lease term. An intermediate lessor in a finance lease derecognizes the leased asset and records a net investment in the lease at lease commencement, in addition to any selling profit or loss. The lessor records lease income on its net investment in lease under the effective interest method.

(b) Share-based compensation

Share-based compensation with graded vesting feature

Under U.S. GAAP, the Company has elected to recognize compensation expense over the service period on a straight-line basis for all employee equity awards with a graded vesting schedule. Under IFRS Accounting Standards, share-based compensation with graded vesting feature is recognized based on each tranche, which results in an accelerated expense recognition.

Share-based compensation with IPO condition

The Company's Lavazza joint venture granted equity awards to key employees vested and exercisable upon the consummation of a qualified successful IPO. Under U.S. GAAP, a performance condition that may be met after the requisite service period is a vesting condition and compensation cost is recognized only if IPO becomes probable of being achieved. Under IFRS Accounting Standards, performance condition that may be met after the requisite service period is a non-vesting condition and reflected in the measurement of the grant date fair value of an award, which may result in earlier expense recognition.

(c) Deferred taxes on share-based compensation

Under U.S. GAAP, deferred taxes are calculated based on the cumulative share-based compensation expense recognized in the financial statements, and it required all excess tax benefits and tax deficiencies to be recorded in the Condensed Consolidated Statements of Income in the period in which tax deduction arises.

Under IFRS Accounting Standards, deferred tax asset is recorded based on estimate of the future tax deduction in accordance with the stock price at the end of each reporting period. If the estimated future tax deduction exceeds cumulative compensation cost for an individual award, deferred tax based on the excess is credited to shareholders' equity. If the estimated future tax deduction is less than or equal to cumulative compensation cost for an individual award, deferred taxes are recorded in the Condensed Consolidated Statements of Income.

(d) Long-lived assets impairment

Under U.S. GAAP, two-step approach is used in the measurement and recognition of impairment loss of long-lived assets of our restaurants (primarily PP&E and ROU). During step one recoverability test, the carrying amount is first compared with the undiscounted cash flows, using entity specific assumptions. During step two measurement test, if the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying value and fair value. Under IFRS Accounting Standards, only one-step approach is used in impairment testing. The carrying amount is compared with the recoverable amount, which is the higher of fair value less costs of disposal or the asset's value in use based on the net present value of future cash flows. Therefore, the difference in impairment assessment results in difference in impairment loss under IFRS Accounting Standards. In addition, the lease accounting difference leads to difference in ROU carrying amounts and thus results in difference in impairment loss, which is included in Note (a) together with all other lease related GAAP differences.

(e) Redeemable non-controlling interest

Under U.S. GAAP, when the noncontrolling interest is redeemable at the option of the noncontrolling shareholder, or contingently redeemable upon the occurrence of a conditional event that is not solely within the control of the Company, the noncontrolling interest is separately classified as mezzanine equity which is neither liability nor equity. The redeemable non-controlling interest is initially recorded at fair value and subsequently measured at the higher of initial fair value, increased or decreased for the non-controlling interest's share of net income or loss, or the redemption value of the non-controlling interest. Acquisition of the redeemable noncontrolling interest is accounted for as an equity transaction, with the difference between the carrying amount of the redeemable noncontrolling interest and purchase consideration recorded in Additional paid-in capital in our Condensed Consolidated Statements of Equity.

Under IFRS Accounting Standards, the redeemable noncontrolling interest is presented as liability, as the Company does not have the unconditional right to avoid delivering cash or another financial asset, and it is measured at fair value subsequently. Acquisition of the redeemable noncontrolling interest is accounted for as derecognition of financial liabilities, with the difference between the carrying amount of the redeemable noncontrolling interest and purchase consideration recorded in Interest income (expense) in the Condensed Consolidated Statements of Income.

(f) Direct Marketing Costs

Under U.S. GAAP, for interim reporting purpose, the Company has elected to recognize direct marketing costs ratably in relation to revenue over the year in which incurred, such that a constant percentage of direct marketing costs to sales is recorded for each interim period. Direct marketing costs are adjusted to reflect expenses actually incurred at year end.

Under IFRS Accounting Standards, direct marketing costs are expensed when they are incurred for both interim period and year-end reporting.

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

References to the Company throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (this "MD&A") are made using the first person notations of "we," "us" or "our." This MD&A contains forward-looking statements, including statements with respect to the ongoing transfer pricing audit, the retail tax structure reform, our growth plans, future capital resources to fund our operations and anticipated capital expenditures, share repurchases and dividends, and the impact of new accounting pronouncements not yet adopted.

Introduction

Yum China Holdings, Inc. is the largest restaurant company in China in terms of 2025 system sales, with 19,297 restaurants covering over 2,700 cities primarily in China as of June 30, 2026. Our growing restaurant network consists of our flagship KFC and Pizza Hut brands, as well as emerging brands such as Lavazza, Huang Ji Huang, Little Sheep and Taco Bell. We have the exclusive right to operate and sublicense the KFC, Pizza Hut and, subject to the agreed terms, Taco Bell brands in China (excluding Hong Kong, Macau and Taiwan), and own the intellectual property of the Little Sheep and Huang Ji Huang concepts outright. We also established a joint venture with Lavazza Group, the world-renowned family-owned Italian coffee company, to explore and develop the Lavazza coffee concept in China. KFC was the first major global restaurant brand to enter China in 1987. With more than three decades of operations, we have developed extensive operating experience in the China market. We believe that there are significant opportunities to further expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new cities.

KFC is the leading and the largest quick-service restaurant ("QSR") brand in China in terms of 2025 system sales. As of June 30, 2026, KFC operated 13,789 restaurants in over 2,700 cities across China.

Pizza Hut is the leading and the largest casual dining restaurant ("CDR") brand in China in terms of 2025 system sales and number of restaurants as of December 31, 2025. As of June 30, 2026, Pizza Hut operated 4,549 restaurants in over 1,200 cities.

Overview

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

- Certain performance metrics and non-GAAP measures are presented excluding the impact of foreign currency translation ("F/X"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the F/X impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth reflects the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants, except for sales from non-Company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise restaurants typically generate ongoing franchise fees for the Company at an average rate of approximately 6% of system sales. Franchise restaurant sales are not included in Company sales in the Condensed Consolidated Statements of Income; however, the franchise 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.
- Effective January 1, 2018, the Company revised its definition of same-store sales growth to represent the estimated percentage change in sales of food of all restaurants in the Company system that have been open prior to the first day of our prior fiscal year, excluding the period during which stores are temporarily closed. We refer to these as our "base" stores. Previously, same-store sales growth represented the estimated percentage change in sales of all restaurants in the Company system that have been open for one year or more, including stores temporarily closed, and the base stores changed on a rolling basis from month to month. This revision was made to align with how management measures performance internally and focuses on trends of a more stable base of stores.
- Company sales represent revenues from Company-owned restaurants. Within the analysis of Company sales, Total revenue and Restaurant profit, store portfolio actions represent the net impact from new-unit openings, acquisitions, refranchising and store closures. Net new unit contribution represents net revenue growth primarily from store portfolio actions excluding temporary store closures. Other primarily represents the impact of same-store sales as well as the impact of changes in restaurant operating costs such as inflation/deflation.

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

Years to Date Ended June 30, 2026 and 2025

Results of Operations

Summary

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell and our delivery operating segment, are combined and referred to as All Other Segments, as those operating segments are insignificant both individually and in the aggregate. Additional details on our reportable operating segments are included in Note 13.

	Year to Date Ended		%/ppts Change	
	6/30/2026	6/30/2025	Reported	Ex F/X
System Sales Growth ^(a) (%)	5	3	NM	NM
Same-Store Sales Growth ^(a) (%)	1	Even	NM	NM
Operating Profit	795	703	+13	+7
Adjusted Operating Profit ^(b)	795	703	+13	+7
Core Operating Profit ^(b)	751	703	NM	+7
OP Margin ^(c) (%)	12.4	12.2	+0.2	+0.2
Core OP Margin ^(b) (%)	12.4	12.2	NM	+0.2
Net Income	553	507	+9	+3
Adjusted Net Income ^(b)	553	507	+9	+3
Diluted Earnings Per Common Share	1.57	1.35	+16	+10
Adjusted Diluted Earnings Per Common Share ^(b)	1.57	1.35	+16	+10

NM refers to not meaningful.

- (a) System Sales and Same-Store Sales growth percentages as shown in the table exclude the impact of F/X. Effective January 1, 2018, temporary store closures are normalized in the same-store sales calculation by excluding the period during which stores are temporarily closed.
- (b) See “Non-GAAP Measures” below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.
- (c) OP margin is defined as Operating Profit divided by Total revenues.

Total revenues for the year to date ended June 30, 2026 increased 11%, or 5% excluding the impact of F/X, which was primarily driven by 4% net new unit contribution and 1% same-store sales growth.

Operating profit for the year to date ended June 30, 2026 increased 13%, or 7% excluding the impact of F/X. The increase was primarily driven by the increase in Total revenues, efficiency improvement from streamlined operations and favorable commodity prices, lower closures and impairment and G&A expenses, partially offset by increased delivery cost associated with higher delivery sales mix in the current period and value-for-money offerings.

Net income for the year to date ended June 30, 2026 increased 9%, or 3% excluding the impact of F/X. The increase was mainly due to the increase in Operating Profit, partially offset by less interest income from lower investment balance and interest rates.

The Consolidated Results of Operations for the years to date ended June 30, 2026 and 2025 and other data are presented below:

	Year to Date Ended		% B/(W) ^(a)	
	6/30/2026	6/30/2025	Reported	Ex F/X
Company sales	\$ 5,957	\$ 5,414	10	4
Franchise fees and income	59	51	15	9
Revenues from transactions with franchisees	311	236	32	25
Other revenues	82	67	23	16
Total revenues	\$ 6,409	\$ 5,768	11	5
Company restaurant expenses	\$ 4,935	\$ 4,472	(10)	(4)
Operating Profit	\$ 795	\$ 703	13	7
OP Margin (%)	12.4%	12.2%	0.2 ppts.	0.2 ppts.
Interest income, net	28	51	(48)	(49)
Investment loss	(17)	(15)	(6)	(6)
Income tax provision	(215)	(199)	(8)	(2)
Equity in net earnings (losses) from equity method investments	4	6	(15)	(20)
Net Income – including noncontrolling interests	595	546	9	3
Net Income – noncontrolling interests	42	39	(7)	(1)
Net Income – Yum China Holdings, Inc.	\$ 553	\$ 507	9	3
Diluted Earnings Per Common Share	\$ 1.57	\$ 1.35	16	10
Effective tax rate	26.6%	26.9%		
Supplementary information				
– Non-GAAP Measures^(b)				
Restaurant profit	\$ 1,022	\$ 942	9	3
Restaurant margin (%)	17.2%	17.4%	(0.2) ppts.	(0.2) ppts.
Adjusted Operating Profit	\$ 795	\$ 703		
Core Operating Profit	\$ 751	\$ 703		
Core OP Margin (%)	12.4%	12.2%		
Adjusted Net Income – Yum China Holdings, Inc.	\$ 553	\$ 507		
Adjusted Diluted Earnings Per Common Share	\$ 1.57	\$ 1.35		
Adjusted Effective Tax Rate	26.6%	26.9%		
Adjusted EBITDA	\$ 1,050	\$ 941		

(a) Represents the period-over-period change in percentage.

(b) See “Non-GAAP Measures” below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.

Performance Metrics

	Year to Date Ended 6/30/2026
	% change
System Sales Growth	11%
System Sales Growth, excluding F/X	5%
Same-Store Sales Growth	1%

<u>Unit Count</u>	6/30/2026	6/30/2025	% Increase
Company-owned	15,776	14,319	10
Franchisees	3,521	2,659	32
	<u>19,297</u>	<u>16,978</u>	14

2026 Outlook

- The Company targets total stores of over 20,000, or more than 1,900 net new stores, and capital expenditures of approximately \$600 million to \$700 million.
- The Company anticipates 40-50% franchise mix of net new stores for both KFC and Pizza Hut.
- The Company plans to return \$1.5 billion to shareholders.

Non-GAAP Measures

In addition to the results provided in accordance with GAAP throughout this MD&A, the Company provides the following non-GAAP measures:

- Measures adjusted for Special Items, which include Adjusted Operating Profit, Adjusted Net Income, Adjusted Earnings Per Common Share ("EPS"), Adjusted Effective Tax Rate and Adjusted EBITDA;
- Company Restaurant Profit ("Restaurant profit") and Restaurant margin;
- Core Operating Profit and Core OP margin, which exclude Special Items, and further adjusted for Items Affecting Comparability and the impact of F/X;

These non-GAAP measures 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 measures provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our core operations.

With respect to non-GAAP measures adjusted for Special Items, the Company excludes impact from Special Items for the purpose of evaluating performance internally and uses them as factors in determining compensation for certain employees. Special Items are not included in any of our segment results.

Adjusted EBITDA is defined as net income including noncontrolling interests adjusted for equity in net earnings (losses) from equity method investments, income tax, interest income, net, investment gain or loss, depreciation and amortization, store impairment charges, and Special Items. Store impairment charges included as an adjustment item in Adjusted EBITDA primarily resulted from our semi-annual impairment evaluation of long-lived assets of individual restaurants, and additional impairment evaluation whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these restaurant-level assets were not impaired, depreciation of the assets would have been recorded and included in EBITDA. Therefore, store impairment charges were a non-cash item similar to depreciation and amortization of our long-lived assets of restaurants. The Company believes that investors and analysts may find it useful in measuring operating performance without regard to such non-cash items.

Restaurant profit is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales, including cost of food and paper, restaurant-level payroll and employee benefits, rent, depreciation and amortization of restaurant-level assets, advertising expenses, and other operating expenses. Company restaurant margin percentage is defined as Restaurant profit divided by Company sales. We also use Restaurant profit and Restaurant margin for the purpose of internally evaluating the performance of our Company-owned restaurants and we believe they provide useful information to investors as to the profitability of our Company-owned restaurants.

Core Operating Profit is defined as Operating Profit adjusted for Special Items, and further excluding Items Affecting Comparability and the impact of F/X. We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Items such as charges, gains and accounting changes, which are viewed by management as significantly impacting the current period or the comparable period, due to changes in policy or other external factors, or non-cash items pertaining to underlying activities that are different from or unrelated to our core operations, are generally considered "Items Affecting Comparability." Examples of Items Affecting Comparability include, but are not limited to: temporary relief from landlords and government agencies; VAT deductions due to tax policy changes; and amortization of reacquired franchise rights recognized upon acquisitions. We believe presenting Core Operating Profit provides additional information to further enhance comparability of our operating results and we use this measure for purposes of evaluating the performance of our core operations. Core OP margin is defined as Core Operating Profit divided by Total revenues, excluding the impact of F/X.

The following table sets forth the reconciliations of the most directly comparable GAAP financial measures to the non-GAAP financial measures:

	Year to Date Ended	
	6/30/2026	6/30/2025
Reconciliation of Operating Profit to Adjusted Operating Profit		
Operating Profit	\$ 795	\$ 703
Special Items, Operating Profit	—	—
Adjusted Operating Profit	<u>\$ 795</u>	<u>\$ 703</u>
Reconciliation of Net Income to Adjusted Net Income		
Net Income – Yum China Holdings, Inc.	\$ 553	\$ 507
Special Items, Net Income –Yum China Holdings, Inc.	—	—
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 553</u>	<u>\$ 507</u>
Reconciliation of EPS to Adjusted EPS		
Basic Earnings Per Common Share	\$ 1.58	\$ 1.36
Special Items, Basic Earnings Per Common Share	—	—
Adjusted Basic Earnings Per Common Share	<u>\$ 1.58</u>	<u>\$ 1.36</u>
Diluted Earnings Per Common Share	\$ 1.57	\$ 1.35
Special Items, Diluted Earnings Per Common Share	—	—
Adjusted Diluted Earnings Per Common Share	<u>\$ 1.57</u>	<u>\$ 1.35</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate		
Effective tax rate	26.6%	26.9%
Impact on effective tax rate as a result of Special Items	—	—
Adjusted effective tax rate	<u>26.6%</u>	<u>26.9%</u>

Net income, along with the reconciliation to Adjusted EBITDA, is presented below:

	Year to Date Ended	
	6/30/2026	6/30/2025
Net Income – Yum China Holdings, Inc.	\$ 553	\$ 507
Net income – noncontrolling interests	42	39
Equity in net (earnings) losses from equity method investments	(4)	(6)
Income tax provision	215	199
Interest income, net	(28)	(51)
Investment loss	17	15
Operating Profit	<u>795</u>	<u>703</u>
Special Items, Operating Profit	—	—
Adjusted Operating Profit	<u>795</u>	<u>703</u>
Depreciation and amortization	237	219
Store impairment charges	18	19
Adjusted EBITDA	<u>\$ 1,050</u>	<u>\$ 941</u>

Reconciliation of GAAP Operating Profit to Restaurant Profit is as follows:

	Year to Date Ended 6/30/2026					
				Corporate and Unallocated	Elimination	Total
	KFC	Pizza Hut	All Other Segments			
GAAP Operating Profit (Loss)	\$ 749	\$ 122	\$ —	\$ (76)	\$ —	\$ 795
Less:						
Franchise fees and income	47	6	6	—	—	59
Revenues from transactions with franchisees	38	5	51	217	—	311
Other revenues	2	6	483	47	(456)	82
Add:						
General and administrative expenses	128	54	14	80	—	276
Franchise expenses	21	3	—	—	—	24
Expenses for transactions with franchisees	30	4	48	216	—	298
Other operating costs and expenses	1	5	474	44	(455)	69
Closures and impairment expenses, net	10	1	1	—	—	12
Restaurant profit (loss)	\$ 852	\$ 172	\$ (3)	\$ —	\$ 1	\$ 1,022
Company sales	4,704	1,231	22	—	—	5,957
Restaurant margin (%)	18.1%	14.0%	(8.2)%	N/A	N/A	17.2%

	Year to Date Ended 6/30/2025					
				Corporate and		
	KFC	Pizza Hut	All Other Segments	Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	\$ 678	\$ 106	\$ (3)	\$ (78)	\$ —	\$ 703
Less:						
Franchise fees and income	40	4	7	—	—	51
Revenues from transactions with franchisees	33	3	36	164	—	236
Other revenues	2	13	342	34	(324)	67
Add:						
General and administrative expenses	120	52	16	81	—	269
Franchise expenses	19	2	—	—	—	21
Expenses for transactions with franchisees	29	3	33	162	—	227
Other operating costs and expenses	2	11	335	34	(323)	59
Closures and impairment expenses, net	13	3	2	—	—	18
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	\$ 786	\$ 157	\$ (2)	\$ —	\$ 1	\$ 942
Company sales	4,267	1,129	18	—	—	5,414
Restaurant margin (%)	18.4%	13.9%	(16.0)%	N/A	N/A	17.4%

Reconciliation of GAAP Operating Profit to Core Operating Profit is as follows:

	Year to Date Ended		% Change B/(W)
	6/30/2026	6/30/2025	
Operating profit	\$ 795	\$ 703	13
Special Items, Operating Profit	—	—	
Adjusted Operating Profit	\$ 795	\$ 703	13
Items Affecting Comparability	—	—	
F/X impact	(44)	—	
Core Operating Profit	\$ 751	\$ 703	7
Total revenues	6,409	5,768	11
F/X impact	(342)	—	
Total revenues, excluding the impact of F/X	\$ 6,067	\$ 5,768	5
Core OP margin (%)	12.4%	12.2%	0.2 ppts.

Reconciliation of GAAP Operating Profit to Core Operating Profit by segment is as follows:

	Year to Date Ended 6/30/2026					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	\$ 749	\$ 122	\$ —	\$ (76)	\$ —	\$ 795
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	\$ 749	\$ 122	\$ —	\$ (76)	\$ —	\$ 795
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	(40)	(7)	—	3	—	(44)
Core Operating Profit (Loss)	\$ 709	\$ 115	\$ —	\$ (73)	\$ —	\$ 751

	Year to Date Ended 6/30/2025					
				Corporate and Unallocated	Elimination	Total
	KFC	Pizza Hut	All Other Segments			
GAAP Operating Profit (Loss)	\$ 678	\$ 106	\$ (3)	\$ (78)	\$ —	\$ 703
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	\$ 678	\$ 106	\$ (3)	\$ (78)	\$ —	\$ 703
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	\$ 678	\$ 106	\$ (3)	\$ (78)	\$ —	\$ 703

Segment Results

KFC

Year to Date Ended					% B/(W)	
	6/30/2026	6/30/2025	Reported	Ex F/X		
Company sales	\$ 4,704	\$ 4,267	10	4		
Franchise fees and income	47	40	20	13		
Revenues from transactions with franchisees	38	33	16	10		
Other revenues	2	2	(4)	(9)		
Total revenues	\$ 4,791	\$ 4,342	10	4		
Company restaurant expenses	\$ 3,852	\$ 3,481	(11)	(5)		
G&A expenses	\$ 128	\$ 120	(6)	(1)		
Franchise expenses	\$ 21	\$ 19	(18)	(11)		
Expenses for transactions with franchisees	\$ 30	\$ 29	(4)	1		
Other operating costs and expenses	\$ 1	\$ 2	58	60		
Closures and impairment expenses, net	\$ 10	\$ 13	27	31		
Operating Profit	\$ 749	\$ 678	10	5		
OP Margin (%)	15.6%	15.6%	0.0	ppts.	0.0	ppts.
Restaurant profit	\$ 852	\$ 786	8	3		
Restaurant margin (%)	18.1%	18.4%	(0.3)	ppts.	(0.3)	ppts.

Year to Date Ended 6/30/2026		% change	
System Sales Growth			12%
System Sales Growth, excluding F/X			6%
Same-Store Sales Growth			1%

Unit Count	6/30/2026	6/30/2025	% Increase
Company-owned	11,500	10,536	9
Franchisees	2,289	1,702	34
	13,789	12,238	13

Company Sales and Restaurant Profit

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

<u>Income (Expense)</u>	<u>Year to Date Ended</u>				<u>6/30/2026</u>
	<u>6/30/2025</u>	<u>Store Portfolio Actions</u>	<u>Other</u>	<u>F/X</u>	
Company sales	\$ 4,267	\$ 152	\$ 33	\$ 252	\$ 4,704
Cost of sales	(1,316)	(53)	(9)	(78)	(1,456)
Cost of labor	(1,110)	(47)	(48)	(68)	(1,273)
Occupancy and other operating expenses	(1,055)	(35)	27	(60)	(1,123)
Restaurant profit	<u>\$ 786</u>	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ 46</u>	<u>\$ 852</u>

The increase in Company sales for the year to date ended June 30, 2026, excluding the impact of F/X, was primarily driven by net unit growth and same-store sales growth. The increase in Restaurant profit for the year to date ended June 30, 2026, excluding the impact of F/X, was primarily driven by the increase in Company sales, efficiency improvement from streamlined operations and favorable commodity prices, partially offset by increased rider cost associated with higher delivery sales mix in the current period and value-for-money offerings.

Franchise Fees and Income/Revenues from Transactions with Franchisees

The year to date increase in Franchise fees and income and Revenues from transactions with franchisees, excluding the impact of F/X, was primarily driven by acceleration of franchise store openings.

Operating Profit

The year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

Pizza Hut

	<u>Year to Date Ended</u>				<u>% B/(W)</u>	
	<u>6/30/2026</u>	<u>6/30/2025</u>	<u>Reported</u>	<u>Ex F/X</u>		
Company sales	\$ 1,231	\$ 1,129	9	3		
Franchise fees and income	6	4	41	34		
Revenues from transactions with franchisees	5	3	44	36		
Other revenues	6	13	(51)	(54)		
Total revenues	<u>\$ 1,248</u>	<u>\$ 1,149</u>	9	3		
Company restaurant expenses	\$ 1,059	\$ 972	(9)	(3)		
G&A expenses	\$ 54	\$ 52	(6)	0		
Franchise expenses	\$ 3	\$ 2	(37)	(30)		
Expenses for transactions with franchisees	\$ 4	\$ 3	(25)	(18)		
Other operating costs and expenses	\$ 5	\$ 11	53	56		
Closures and impairment expenses, net	\$ 1	\$ 3	56	58		
Operating Profit	\$ 122	\$ 106	15	9		
OP Margin (%)	9.8%	9.2%	0.6 ppts.	0.6 ppts.		
Restaurant profit	\$ 172	\$ 157	10	4		
Restaurant margin (%)	14.0%	13.9%	0.1 ppts.	0.1 ppts.		

	<u>Year to Date Ended 6/30/2026</u>	
	<u>% change</u>	
System Sales Growth		11%
System Sales Growth, excluding F/X		5%
Same-Store Sales Growth		Even

Unit Count	6/30/2026	6/30/2025	% Increase
Company-owned	4,036	3,629	11
Franchisees	513	235	118
	<u>4,549</u>	<u>3,864</u>	18

Company Sales and Restaurant Profit

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

Income (Expense)	Year to Date Ended				
	6/30/2025	Store Portfolio Actions	Other	F/X	6/30/2026
Company sales	\$ 1,129	\$ 36	\$ —	\$ 66	\$ 1,231
Cost of sales	(363)	(12)	(20)	(22)	(417)
Cost of labor	(317)	(9)	6	(19)	(339)
Occupancy and other operating expenses	(292)	(10)	15	(16)	(303)
Restaurant profit	<u>\$ 157</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ 172</u>

The increase in Company sales for the year to date ended June 30, 2026, excluding the impact of F/X, was primarily driven by net unit growth. The year to date increase in Restaurant profit, excluding the impact of F/X, was primarily driven by the increase in Company sales, efficiency improvement from streamlined operations and favorable commodity prices, partially offset by value-for-money offerings and increased delivery cost associated with higher delivery sales mix in the current period.

Franchise Fees and Income/Revenues from Transactions with Franchisees

The year to date increase in Franchise fees and income and Revenues from transactions with franchisees, excluding the impact of F/X, was primarily driven by acceleration of franchise store openings.

Operating Profit

The year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit and lower closures and impairment expenses.

All Other Segments

All Other Segments reflects the results of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell and our delivery operating segment.

	Year to Date Ended			
	6/30/2026	6/30/2025	% B/(W)	
			Reported	Ex F/X
Company sales	\$ 22	\$ 18	26	19
Franchise fees and income	6	7	(25)	(29)
Revenues from transactions with franchisees	51	36	43	35
Other revenues	483	342	41	33
Total revenues	<u>\$ 562</u>	<u>\$ 403</u>	39	32
Company restaurant expenses	\$ 25	\$ 20	(17)	(11)
G&A expenses	\$ 14	\$ 16	11	15
Expenses for transactions with franchisees	\$ 48	\$ 33	(46)	(39)
Other operating costs and expenses	\$ 474	\$ 335	(41)	(34)
Closures and impairment expenses, net	\$ 1	\$ 2	32	35
Operating Profit (Loss)	\$ —	\$ (3)	NM	NM
OP Margin (%)	—	(0.8)%	0.8 ppts.	0.8 ppts.
Restaurant loss	\$ (3)	\$ (2)	35	41
Restaurant margin (%)	(8.2)%	(16.0)%	7.8 ppts.	7.8 ppts.

Total Revenues

The year to date increase in Total revenues of All other segments, excluding the impact of F/X, was primarily driven by revenue generated by our delivery team for services provided to Company-owned restaurants, which is inter-segment revenue, and franchise restaurants as a result of increased delivery sales.

Operating Profit (Loss)

The year to date improvement in Operating profit (loss), excluding the impact of F/X, was primarily driven by the decrease in Operating loss from certain emerging brands.

Corporate and Unallocated

	Year to Date Ended			
			% B/(W)	
	6/30/2026	6/30/2025	Reported	Ex F/X
Revenues from transactions with franchisees	\$ 217	\$ 164	32	25
Other revenues	\$ 47	\$ 34	38	31
Expenses for transactions with franchisees	\$ 216	\$ 162	(33)	(26)
Other operating costs and expenses	\$ 44	\$ 34	(33)	(26)
Corporate G&A expenses	\$ 80	\$ 81	—	3
Other unallocated income, net	\$ —	\$ (1)	(67)	(71)
Interest income, net	\$ 28	\$ 51	(48)	(49)
Investment loss	\$ (17)	\$ (15)	(6)	(6)
Income tax provision (See Note 12)	\$ (215)	\$ (199)	(8)	(2)
Equity in net earnings (losses) from equity method investments	\$ 4	\$ 6	(15)	(20)
Effective tax rate (See Note 12)	26.6%	26.9%	0.3 ppts.	0.3 ppts.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees primarily include revenues derived from the Company's central procurement model, whereby food and paper products are centrally purchased and then mainly sold to KFC and Pizza Hut franchisees. The year to date increase in revenues from transactions with franchisees, excluding the impact of F/X, was mainly due to the increase in system sales for franchisees primarily driven by acceleration of franchise store openings.

Corporate G&A Expenses

The year to date decrease in Corporate G&A expenses, excluding the impact of F/X, was primarily due to lower compensation costs and timing of government subsidies.

Interest Income, Net

The year to date decrease in interest income, net, excluding the impact of F/X, was primarily driven by lower investment balance with cash used in return to shareholders and lower interest rates.

Investment Loss

The investment loss mainly relates to the change in fair value of our investment in Meituan. See Note 3 for additional information.

Income Tax Provision

Our income tax provision primarily includes tax on our earnings generally at the Chinese statutory tax rate of 25% with certain Chinese subsidiaries qualified for preferential tax rates, withholding tax on planned or actual repatriation of earnings outside of China, Hong Kong profits tax, and U.S. corporate income tax, if any. The lower effective tax rate for the year to date ended June 30, 2026 was primarily due to higher excess tax benefits upon exercise of share-based awards.

Discussion of Changes of Certain Key Balance Sheet Items

Cash and Cash Equivalents

As of June 30, 2026 and December 31, 2025, the Company's cash and cash equivalents were denominated in the following currencies:

	6/30/2026	12/31/2025
RMB	\$ 225	\$ 238
USD	255	264
Hong Kong dollar ("HK\$")	5	3
Euros	—	1
Total	<u>\$ 485</u>	<u>\$ 506</u>

For discussion of changes in Cash and Cash Equivalent, see Condensed Consolidated Cash Flows section below.

Property, Plant and Equipment, net

As of June 30, 2026, excluding the F/X impact, the increase of PP&E was primarily due to the increase in the number of our stores, partially offset by depreciation.

Operating Lease ROU Assets and Liabilities

As of June 30, 2026, excluding the F/X impact, ROU assets decreased, primarily due to the amortization of assets relating to existing leases with fixed lease payments and a higher portion of our leases with variable lease payments. The decrease of lease liabilities was consistent with the decrease of ROU assets.

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

Tax Examination on Transfer Pricing

We are subject to reviews, examinations and audits by Chinese tax authorities, the Internal Revenue Service and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the STA in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with YUM. We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

PRC Value-Added Tax ("VAT")

Effective May 1, 2016, a 6% output VAT replaced the 5% business tax ("BT") previously applied to certain restaurant sales. Input VAT would be creditable to the aforementioned 6% output VAT. Our new retail business is generally subject to VAT rates at 9% or 13%. The latest VAT rates imposed on our purchase of materials and services mainly included 13%, 9% and 6%, which were gradually changed from 17%, 13%, 11% and 6% since 2017. These rate changes impact our input VAT on all materials and certain services, mainly including construction, transportation and leasing. However, the impact on our operating results was insignificant.

Entities that are general VAT taxpayers are permitted to offset qualified input VAT paid to suppliers against their output VAT upon receipt of appropriate supplier VAT invoices on an entity-by-entity basis. When the output VAT exceeds the input VAT, the difference is remitted to tax authorities, usually on a monthly basis; whereas when the input VAT exceeds the output VAT, the difference is treated as a VAT asset which can be carried forward indefinitely to offset future net VAT payables. VAT related to purchases and sales which have not been settled at the balance sheet date is disclosed separately as an asset and liability, respectively, in the Condensed Consolidated Balance Sheets. At each balance sheet date, the Company reviews the outstanding balance of any VAT asset for recoverability, giving consideration to the indefinite life of VAT assets as well as its forecasted operating results and capital spending, which inherently includes significant assumptions that are subject to change. As of June 30, 2026 and December 31, 2025, the Company has not made an allowance for the recoverability of VAT assets, as the balance is expected to be utilized to offset against VAT payables or be refunded in the future.

In June 2022, the Chinese Ministry of Finance (“MOF”) and the STA jointly issued Announcement [2022] No. 21, to extend full VAT credit refunds to more sectors and increase the frequency for accepting taxpayers’ applications. Beginning on July 1, 2022, entities engaged in providing catering services in China are allowed to apply for a lump sum refund of VAT assets accumulated prior to March 31, 2019. In addition, VAT assets accumulated after March 31, 2019 can be refunded on a monthly basis. In August 2025, the MOF and the STA jointly issued Announcement [2025] No. 7, amending the VAT refund policy. Effective September 1, 2025, certain industries (including the catering sector) are only eligible for a partial refund of VAT assets, subject to additional criteria stipulated in the announcement.

As of June 30, 2026, current VAT assets of \$159 million, non-current VAT assets of \$14 million and net VAT payable of \$7 million were recorded in Prepaid expenses and other current assets, Other assets and Accounts payable and other current liabilities, respectively, in the Condensed Consolidated Balance Sheets.

The Company will continue to review the classification of VAT assets at each balance sheet date, giving consideration to different local implementation practices of refunding VAT assets and the outcome of potential administrative reviews.

We have been benefiting from the retail tax structure reform since it was implemented on May 1, 2016. However, the amount of our expected benefit from this VAT regime depends on a number of factors, some of which are outside of our control. The interpretation and application of the new VAT regime are not settled at some local governmental levels. On December 25, 2024, China enacted the VAT Law, which came into effect on January 1, 2026, along with its implementation rules. In terms of tax rates, the VAT Law maintains the existing standard rates of 13%, 9% and 6%. We will continue to monitor regulatory developments and evaluate any potential impact on our financial statements.

Foreign Currency Exchange Rate

The reporting currency of the Company is the US\$. Most of the revenues, costs, assets and liabilities of the Company are denominated in Chinese Renminbi (“RMB”). Any significant change in the exchange rate between US\$ and RMB may materially affect the Company’s business, results of operations, cash flows and financial condition, depending on the weakening or strengthening of RMB against the US\$. See “Quantitative and Qualitative Disclosures About Market Risk” for further discussion.

Condensed Consolidated Cash Flows

Our cash flows for the years to date ended June 30, 2026 and 2025 were as follows:

Net cash provided by operating activities was \$976 million in 2026 as compared to \$864 million in 2025. The increase was primarily driven by the increase in Operating profit along with working capital changes.

Net cash used in investing activities was \$265 million in 2026 as compared to \$290 million in 2025. The decrease was mainly due to the net impact on cash flows resulting from purchases and maturities of short-term investments, and long-term bank deposits and notes.

Net cash used in financing activities was \$739 million in 2026 as compared to \$709 million in 2025. The increase was primarily driven by the increase of share repurchases and cash dividends paid on common stock, partially offset by the increase in the proceeds from short-term borrowings.

Liquidity and Capital Resources

Historically we have funded our operations through cash generated from the operation of our Company-owned stores and our franchise operations. Our global offering in September 2020 provided us with \$2.2 billion in net proceeds.

Our ability to fund our future operations and capital needs will primarily depend on our ongoing ability to generate cash from operations. We believe our principal uses of cash in the future will be primarily to fund our operations and capital expenditures for accelerating store network expansion and store remodeling, to step up investments in digitalization, automation and logistics infrastructure, to provide returns to our stockholders, as well as to explore opportunities for investments that build and support our ecosystem or strategic acquisitions. We believe that our future cash from operations, together with our funds on hand and access to the capital markets, will provide adequate resources to fund these uses of cash, and that our existing cash, net cash from operations and credit facilities will be sufficient to fund our operations and anticipated capital expenditures for the next 12 months. We currently expect our fiscal year 2026 capital expenditures to be in the range of approximately \$600 million to \$700 million.

In August 2026, the Company completed the acquisition of ownership of the Pizza Hut brand in Mainland China at a cash consideration of \$1.2 billion. To finance the transaction, the Company secured an approximately \$1.2 billion equivalent offshore bridge loan for up to twelve months.

For long term financing, the Company is evaluating a range of options. The timing and terms of any such financing will depend on market conditions and other factors. Our access to, and the availability of, financing on acceptable terms and conditions in the future or at all will be impacted by many factors, including, but not limited to:

- our financial performance;
- our credit ratings;
- the liquidity of the overall capital markets and our access to capital markets; and
- the state of the Chinese, U.S. and global economies, as well as relations between the Chinese and U.S. governments.

There can be no assurance that we will have access to the capital markets on terms acceptable to us or at all.

Generally, our income is subject to the Chinese statutory tax rate of 25%. However, to the extent our cash flows from operations exceed our China cash requirements, the excess cash may be subject to an additional 10% withholding tax levied by the Chinese tax authority, subject to any reduction or exemption set forth in relevant tax treaties or tax arrangements.

Share Repurchases and Dividends

As of June 30, 2026, our Board of Directors authorized an aggregate of \$5.4 billion for our share repurchase program, of which \$641 million remained available as of June 30, 2026. Yum China may repurchase shares under this program from time to time in the open market or, subject to applicable regulatory requirements, through privately negotiated transactions, block trades, accelerated share repurchase transactions and the use of Rule 10b5-1 trading plans. During the years to date ended June 30, 2026 and 2025, the Company repurchased 10.7 million shares of common stock for \$515 million and 7.7 million shares of common stock for \$356 million, respectively, under the repurchase program, excluding transaction costs and excise tax.

For the years to date ended June 30, 2026 and 2025, the Company paid aggregate cash dividends of approximately \$203 million and \$180 million, respectively, to stockholders through a quarterly dividend payment of \$0.29 and \$0.24 per share, respectively.

The Company plans to return \$1.5 billion to shareholders in 2026, adding to the \$1.5 billion it delivered to shareholders in each of 2025 and 2024 in share repurchases and dividends.

On July 30, 2026, the Board of Directors declared a cash dividend of \$0.29 per share, payable on September 17, 2026, to stockholders of record as of the close of business on August 27, 2026. The total estimated cash dividend payable is approximately \$99 million.

The Company plans to return an average annual return of approximately \$900 million to over \$1 billion in 2027 and 2028, and to exceed \$1 billion in 2028.

Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. In addition, our ability to declare and pay any dividends on our stock may be restricted by our earnings available for distribution under applicable Chinese laws. The laws, rules and regulations applicable to our Chinese subsidiaries permit payments of dividends only out of their accumulated profits, if any, determined in accordance with applicable Chinese accounting standards and regulations. Under Chinese laws, an enterprise incorporated in China is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund statutory surplus reserve, until the aggregate amount of such a fund reaches 50% of its registered capital. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. At the discretion of the board of directors, as an enterprise incorporated in China, each of our Chinese subsidiaries may allocate a portion of its after-tax profits based on Chinese accounting standards to discretionary surplus reserve. These reserves are not distributable as cash dividends.

Borrowing Capacity

As of June 30, 2026, the Company had credit facilities of RMB10,715 million (approximately \$1,579 million), comprised of onshore credit facilities in the aggregate amount of RMB8,000 million (approximately \$1,179 million), offshore credit facilities in the aggregate amount of \$200 million and a credit facility of \$200 million that can be used for either onshore or offshore.

The credit facilities had remaining terms ranging from less than one year to three years as of June 30, 2026. Our credit facilities mainly include term loans, overdrafts, letters of credit, banker's acceptance notes and bank guarantees. The credit facilities in general bear interest based on the Loan Prime Rate ("LPR") published by the National Interbank Funding Centre of the PRC, or Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. Each credit facility contains a cross-default provision whereby our failure to make any payment on a principal amount from any credit facility will constitute a default on other credit facilities. Some of the credit facilities contain covenants limiting, among other things, certain additional indebtedness and liens, and certain other transactions specified in the respective agreements. As of June 30, 2026, we had outstanding short-term bank borrowings of RMB445 million (approximately \$66 million), mainly to manage working capital at our operating subsidiaries. Such bank borrowings are due within one year from their issuance dates. As of June 30, 2026, we also had outstanding bank guarantees of RMB315 million (approximately \$46 million) mainly to secure our lease payments to landlords for certain Company-owned restaurants, as well as outstanding bank guarantees of RMB600 million (approximately \$89 million) to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. Our credit facilities were therefore reduced by outstanding short-term bank borrowings, adjusted for unamortized interest and outstanding guarantees. As of June 30, 2026, the Company had unused credit facilities of approximately \$1,378 million.

Material Cash Requirements

Operating and Finance Leases Obligations

As of June 30, 2026, undiscounted future lease payments amounted to \$2,547 million, including \$276 million in the remainder of 2026. These obligations relate primarily to over 15,700 properties in China for our Company-owned restaurants. See Note 10 for additional information.

Purchase Obligations

As of June 30, 2026, future purchase obligations amounted to \$274 million, which relate primarily to capital expenditure commitment for infrastructure, as well as supply and service agreements. We have excluded certain agreements with a remaining term not in excess of one year, as such commitments are generally near term in nature, are not significant to the Company's overall financial position, and will be funded from operating cash flows. Agreements that are cancelable without penalty are also excluded.

In addition, the Company entered into a definitive agreement with YUM to acquire ownership of Pizza Hut brand in Mainland China in June 2026 at a cash consideration of \$1.2 billion. In August 2026, the Company fulfilled the purchase obligation and secured an approximately \$1.2 billion equivalent offshore bridge loan to finance the transaction. See Note 15 for additional information.

Borrowings

As of June 30, 2026, we had outstanding short-term bank borrowings of \$66 million which were due within one year. See Note 9 for additional information.

Contingent Liabilities

We had no material contingent obligations as of June 30, 2026. Please see Note 14 for further discussion.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing borrowings by total equity as of the end of the period, was 1.1% and 0.5% as of June 30, 2026 and December 31, 2025, respectively.

Pledge of Assets

The Company is required to provide bank deposits, insurance or guarantees to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. \$21 million of time deposits in Long-term bank deposits and notes as of June 30, 2026, and \$29 million of time deposits in Short-term investments and \$34 million of time deposits in Long-term bank deposits and notes were restricted for use as of December 31, 2025. The decrease in such investments was primarily due to the increased use of bank guarantees by the Company to secure a portion of prepaid stored-value cards. Please see Note 11 for further discussion.

Significant Investments Held

None of our investments held constituted significant investments required to be disclosed pursuant to Appendix D2 to the Hong Kong Listing Rules. Refer to Note 3 for our business acquisitions and equity investments.

Future Plans for Material Investments and Capital Assets

We currently expect our fiscal year 2026 capital expenditures to be in the range of approximately \$600 million to \$700 million. In addition, the Company completed the acquisition of the Pizza Hut brand in Mainland China in August 2026 funded by an approximately \$1.2 billion equivalent offshore bridge loan. Please see Liquidity and Capital Resources section for further discussion.

Material Acquisitions and Disposal of Subsidiaries and Joint Venture

During the years to date ended June 30, 2026 and 2025, we did not have any material acquisitions and disposals of subsidiaries and joint venture.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

See Note 2 for details of recently adopted accounting pronouncements.

New Accounting Pronouncements Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)* (“ASU 2024-03”), requiring public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory, employee compensation, depreciation, amortization and depletion expenses for each caption on the income statement where such expenses are included. ASU 2024-03 is effective for the Company for annual period from January 1, 2027, and for interim periods from January 1, 2028, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

In September 2025, the FASB issued Accounting Standards Update 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Targeted Improvements to the Accounting for Internal-Use Software* (“ASU 2025-06”), which better aligns the accounting guidance to how software is developed by eliminating project stages from capitalization criteria, and further clarifies the threshold entities apply to begin capitalizing costs. The amendment also enhances the disclosure requirements for internal-use software. ASU 2025-06 is effective for the Company from January 1, 2028, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities* (“ASU 2025-10”) to establish guidance on the recognition, measurement, and presentation of government grants received by business entities. The new standard leverages the principles in the accounting framework for government assistance in International Accounting Standard 20. ASU 2025-10 is effective for the Company for annual period from January 1, 2029, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency-denominated earnings, cash flows and net investments in foreign operations, virtually all of which are denominated in RMB. While substantially all of our supply purchases are denominated in RMB, from time to time, we enter into agreements with third parties to purchase certain amount of goods and services sourced overseas and make payments in the corresponding local currencies at predetermined exchange rates when practical, to minimize the related foreign currency exposure with immaterial impact on our financial statements.

As substantially all of the Company's operations are located in China, the Company is exposed to movements in the RMB foreign currency exchange rate. For the year to date ended June 30, 2026, the Company's Operating profit would have decreased by approximately \$75 million, if the RMB weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

Investment Risk

In September 2018, we invested \$74 million in 8.4 million of Meituan's ordinary shares. The Company sold 4.2 million of its ordinary shares of Meituan in the second quarter of 2020 for proceeds of approximately \$54 million. Equity investment in Meituan is recorded at fair value, which is measured on a recurring basis and is subject to market price volatility. See Note 3 for further discussion on our investment in Meituan.

Other Information

Compliance with the Corporate Governance Code

The Board believes that good corporate governance is a critical factor in achieving business success and in fulfilling the Board's responsibilities to stockholders. The Board has adopted corporate governance principles which are intended to embody the governance principles and procedures by which the Board functions. These principles are available on the Company's website. Our corporate governance principles and practices are in line with the principles in the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Hong Kong Listing Rules (the "Corporate Governance Code").

During the year to date ended June 30, 2026, we have complied with all the code provisions of the Corporate Governance Code, save for the following.

Code Provisions A.2.1, B.3.1, D.3.3, D.3.7 and E.1.2 of the Corporate Governance Code require the charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee (collectively, the "Board Committees") to include at least the terms as set out in such paragraphs. Currently, the charters of the Board Committees do not include certain of such terms. The Company has adopted the charters of the Board Committees in accordance with the NYSE listing rules and the rules of the U.S. Securities and Exchange Commission (to the extent applicable), which in all material ways are similar to the terms of reference as required under the Corporate Governance Code despite different language being used. The relevant Board Committees have in practice carried out the relevant responsibilities as required under the Corporate Governance Code.

Code Provisions E.1.2(a), (c) and (d) of the Corporate Governance Code require the remuneration committee to be responsible for directors' remuneration. Currently, the Nominating and Governance Committee is responsible for reviewing and making recommendations to the Board with respect to the compensation and benefits of the directors. Given (i) it is customary for U.S. public companies to delegate this responsibility to either the Nominating and Governance Committee or the Compensation Committee, it is also common for U.S. listed companies to have the Nominating and Governance committee to carry out such responsibility; (ii) the Nominating and Governance Committee has been carrying out such responsibility since the Company's listings on the NYSE and the HKEX; and (iii) the composition of the Nominating and Governance Committee also complies with the composition requirement of the remuneration committee as required under Rule 3.25 of the Hong Kong Listing Rules; the Board believes the current arrangement has achieved good corporate governance with respect to directors' remuneration.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year to date ended June 30, 2026, the Company repurchased 10.7 million shares of common stock on the NYSE and the HKEX for an aggregate consideration of \$515 million, excluding transaction costs and excise tax. Of the shares repurchased for the year to date ended June 30, 2026, 10.4 million shares were retired and resumed the status of authorized and unissued shares of common stock, and 0.3 million shares repurchased on the HKEX were retired subsequent to June 30, 2026 and included in Treasury stock in the Condensed Consolidated Financial Statements. We have used share repurchases as a means of returning cash to stockholders.

Details of the shares repurchased on the NYSE are as follows:

Month of Repurchase	No. of Shares Repurchased* (thousands)	Price paid per share		Aggregate Consideration (US\$ millions)
		Highest US\$	Lowest US\$	
January	860	\$ 51.38	\$ 47.06	\$ 42
February	1,040	58.35	49.51	57
March	1,266	54.81	48.18	66
April	1,289	50.37	47.36	63
May	2,110	49.30	42.77	99
June	1,480	44.96	40.19	63
Total	8,045			\$ 390

Details of the shares repurchased on the HKEX are as follows:

Month of Repurchase	No. of Shares Repurchased* (thousands)	Price paid per share		Aggregate Consideration ^(a) (HK\$ millions)	Aggregate Consideration ^(a) (US\$ millions)
		Highest HK\$	Lowest HK\$		
January	304	HK\$ 399.40	HK\$ 365.60	HK\$ 116	\$ 15
February	238	447.40	382.80	100	13
March	414	432.00	377.00	170	21
April	383	397.40	368.40	147	19
May	784	389.80	333.20	287	36
June	489	352.00	310.80	163	21
Total	2,612			HK\$ 983	\$ 125

*: Shares may not add due to rounding.

(a) Starting January 2024, the Company also repurchased shares of common stock through open market transactions on the HKEX. Aggregate consideration for shares repurchased on the HKEX have been converted into U.S. dollars at the exchange rate on the date of repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year to date ended June 30, 2026.

Audit Committee Review of Financial Statements

The Audit Committee has reviewed the Condensed Consolidated Financial Statements and interim results of the Company for the year to date ended June 30, 2026. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, KPMG.

Scope of Work of the Company's Auditor

The Condensed Consolidated Financial Statements of the Company and its subsidiaries for the year to date ended June 30, 2026 have been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants for the Hong Kong filing. The auditor's review report is set out on page 2 of this announcement.

Important Events after the Reporting Period

Save as disclosed in Note 15 to the Condensed Consolidated Financial Statements, no important events affecting the Company occurred since June 30, 2026 and up to the date of this announcement.

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of the HKEX (www.hkexnews.hk) and the website of the Company (<http://ir.yumchina.com>). The interim report of the Company for the six months ended June 30, 2026 will be published on the aforesaid websites and dispatched to the Company's shareholders in due course.

Language

If there is any inconsistency between the English version and Chinese version of this announcement, the English version shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this announcement and their English translations, the Chinese names shall prevail.