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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2026

OR

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

For the transition period from _____ to _____

Commission file number 001-37762

Yum China Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**81-2421743**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
101 East Park Boulevard, Suite 805 **Plano, Texas 75074** **United States of America**	**Yum China Building** **20 Tian Yao Qiao Road** **Shanghai 200030** **People's Republic of China**

(Address, Including Zip Code, of Principal Executive Offices)

(469) 980-2898
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	YUMC	New York Stock Exchange
	9987	The Stock Exchange of Hong Kong Limited

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares outstanding of the registrant's common stock as of October 30, 2026 was 336,860,181 shares.

Yum China Holdings, Inc.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Income (Unaudited)
Yum China Holdings, Inc.
(in US$ millions, except per share data)

	Quarter Ended		Year to Date Ended	
Revenues	**9/30/2026**	**9/30/2025**	**9/30/2026**	**9/30/2025**
Company sales	$ 3,214	$ 2,998	$ 9,171	$ 8,412
Franchise fees and income	32	28	91	79
Revenues from transactions with franchisees	183	140	494	376
Other revenues	48	40	130	107
Total revenues	3,477	3,206	9,886	8,974
Costs and Expenses, Net				
Company restaurants				
Food and paper	1,011	939	2,892	2,623
Payroll and employee benefits	851	785	2,468	2,216
Occupancy and other operating expenses	778	755	2,215	2,112
Company restaurant expenses	2,640	2,479	7,575	6,951
General and administrative expenses	155	143	431	412
Franchise expenses	13	11	37	32
Expenses for transactions with franchisees	172	134	470	361
Other operating costs and expenses	42	35	111	94
Closures and impairment expenses, net	4	4	16	22
Other income, net	—	—	—	(1)
Total costs and expenses, net	3,026	2,806	8,640	7,871
Operating Profit	451	400	1,246	1,103
Interest income, net	7	23	35	74
Investment gain (loss)	5	(10)	(12)	(25)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	463	413	1,269	1,152
Income tax provision	(130)	(114)	(345)	(313)
Equity in net earnings (losses) from equity method investments	2	6	6	12
Net income – including noncontrolling interests	335	305	930	851
Net income – noncontrolling interests	24	23	66	62
Net Income – Yum China Holdings, Inc.	$ 311	$ 282	$ 864	$ 789
Weighted-average common shares outstanding (in millions):				
Basic	342	368	347	372
Diluted	343	369	348	374
Basic Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.49	$ 2.12
Diluted Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.48	$ 2.11

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
Yum China Holdings, Inc.
(in US$ millions)

	Quarter Ended		Year to Date Ended	
	9/30/2026	9/30/2025	9/30/2026	9/30/2025
Net income – including noncontrolling interests	$ 335	$ 305	$ 930	$ 851
Other comprehensive income, net of tax of nil:				
Foreign currency translation adjustments	54	30	204	117
Comprehensive income – including noncontrolling interests	389	335	1,134	968
Comprehensive income – noncontrolling interests	31	27	91	77
Comprehensive Income – Yum China Holdings, Inc.	$ 358	$ 308	$ 1,043	$ 891

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	
	9/30/2026	9/30/2025
Cash Flows – Operating Activities		
Net income – including noncontrolling interests	$ 930	$ 851
Depreciation and amortization	358	333
Non-cash operating lease cost	314	299
Closures and impairment expenses	16	22
Investment loss	12	25
Equity in net (earnings) losses from equity method investments	(6)	(12)
Distributions of income received from equity method investments	11	9
Deferred income taxes	(6)	(10)
Share-based compensation expense	33	32
Changes in accounts receivable	(19)	(5)
Changes in inventories	22	25
Changes in prepaid expenses, other current assets and value-added tax assets	69	(19)
Changes in accounts payable and other current liabilities	21	(9)
Changes in income taxes payable	42	61
Changes in non-current operating lease liabilities	(275)	(301)
Other, net	(41)	40
Net Cash Provided by Operating Activities	1,481	1,341
Cash Flows – Investing Activities		
Capital spending	(417)	(385)
Purchases of short-term investments, long-term bank deposits and notes	(6,011)	(6,162)
Maturities of short-term investments, long-term bank deposits and notes	5,819	6,245
Acquisition of intangible assets	(1,202)	—
Acquisition of equity investment	—	(14)
Other, net	9	—
Net Cash Used in Investing Activities	(1,802)	(316)
Cash Flows – Financing Activities		
Proceeds from short-term borrowings	1,561	29
Repayment of short-term borrowings	(51)	(129)
Repurchase of shares of common stock	(793)	(692)
Cash dividends paid on common stock	(302)	(268)
Dividends paid to noncontrolling interests	(63)	(31)
Acquisition of noncontrolling interests	—	(8)
Other, net	(11)	(8)
Net Cash Provided by (Used in) Financing Activities	341	(1,107)
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	9	7
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	29	(75)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	506	723
Cash, Cash Equivalents, and Restricted Cash - End of Period	$ 535	$ 648
Supplemental Cash Flow Data		
Cash paid for income tax	311	266
Cash paid for interest	5	—
Non-cash Investing and Financing Activities		
Capital expenditures included in accounts payable and other current liabilities	133	137

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets
Yum China Holdings, Inc.
(in US$ millions)

	9/30/2026 (Unaudited)	12/31/2025
ASSETS		
Current Assets		
Cash and cash equivalents	$ 535	$ 506
Short-term investments	1,132	878
Accounts receivable, net	117	95
Inventories, net	434	438
Prepaid expenses and other current assets	390	440
Total Current Assets	2,608	2,357
Property, plant and equipment, net	2,660	2,543
Operating lease right-of-use assets	2,072	2,189
Goodwill	2,046	1,963
Intangible assets, net	1,416	148
Long-term bank deposits and notes	670	678
Equity investments	390	387
Deferred income tax assets	166	156
Other assets	379	362
Total Assets	12,407	10,783
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	2,234	2,127
Short-term borrowings	1,549	30
Income taxes payable	135	89
Total Current Liabilities	3,918	2,246
Non-current operating lease liabilities	1,709	1,823
Non-current finance lease liabilities	47	51
Deferred income tax liabilities	468	406
Other liabilities	169	158
Total Liabilities	6,311	4,684
Redeemable Noncontrolling Interest	—	—
Equity		
Common stock, $0.01 par value; 1,000 million shares authorized; 339 million shares and 355 million shares issued at September 30, 2026 and December 31, 2025, respectively; 339 million shares and 354 million shares outstanding at September 30, 2026 and December 31, 2025, respectively.	3	4
Treasury stock	(14)	(28)
Additional paid-in capital	3,643	3,796
Retained earnings	1,707	1,764
Accumulated other comprehensive income (loss)	22	(157)
Total Yum China Holdings, Inc. Stockholders' Equity	5,361	5,379
Noncontrolling interests	735	720
Total Equity	6,096	6,099
Total Liabilities, Redeemable Noncontrolling Interest and Equity	$ 12,407	$ 10,783

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	Retained	Accumulated Other Comprehensive (Loss)	Treasury Stock		Noncontrolling	Total	Redeemable Noncontrolling
	Shares	Amount	Capital	Earnings	Income	Shares	Amount	Interests	Equity	Interest
Balance at June 30, 2026	**345**	**$ 3**	**$ 3,696**	**$ 1,696**	**$ (25)**	**—**	**$ (13)**	**$ 704**	**$ 6,061**	**$ —**
Net Income				311				24	335	—
Foreign currency translation adjustments					47			7	54	—
Comprehensive income									389	—
Cash dividends declared ($0.29 per common share)				(99)					(99)	
Repurchase and retirement of shares	(6)	—	(63)	(201)		—	(1)		(265)	
Exercise and vesting of share-based awards	—	—	—						—	
Share-based compensation			10					—	10	
Balance at September 30, 2026	**339**	**$ 3**	**$ 3,643**	**$ 1,707**	**$ 22**	**—**	**$ (14)**	**$ 735**	**$ 6,096**	**$ —**
Balance at June 30, 2025	**371**	**$ 4**	**$ 3,952**	**$ 2,110**	**$ (265)**	**—**	**$ (12)**	**$ 667**	**$ 6,456**	**$ 13**
Net Income				282				23	305	—
Foreign currency translation adjustments					26			4	30	—
Comprehensive income									335	—
Cash dividends declared ($0.24 per common share)				(88)					(88)	
Repurchase and retirement of shares	(7)	—	(77)	(254)		—	2		(329)	
Exercise and vesting of share-based awards	—	—	—						—	
Share-based compensation			10					—	10	
Acquisition of noncontrolling interest			2						2	(13)
Balance at September 30, 2025	**364**	**$ 4**	**$ 3,887**	**$ 2,050**	**$ (239)**	**—**	**$ (10)**	**$ 694**	**$ 6,386**	**$ —**

	Yum China Holdings, Inc.									
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive (Loss)	Treasury Stock		Noncontrolling	Total	Redeemable Noncontrolling
	Shares	Amount*	Capital	Earnings	Income	Shares*	Amount	Interests	Equity*	Interest
Balance at December 31, 2025	**355**	**$ 4**	**$ 3,796**	**$ 1,764**	**$ (157)**	**(1)**	**$ (28)**	**$ 720**	**$ 6,099**	**$ —**
Net Income				864				66	930	—
Foreign currency translation adjustments					179			25	204	—
Comprehensive income									1,134	—
Cash dividends declared ($0.87 per common share)				(302)					(302)	
Distributions to noncontrolling interests								(76)	(76)	
Repurchase and retirement of shares	(17)	—	(180)	(619)		—	14		(785)	
Exercise and vesting of share-based awards	1	—	(6)						(6)	
Share-based compensation			33					—	33	
Balance at September 30, 2026	**339**	**$ 3**	**$ 3,643**	**$ 1,707**	**$ 22**	**—**	**$ (14)**	**$ 735**	**$ 6,096**	**$ —**
Balance at December 31, 2024	**379**	**$ 4**	**$ 4,028**	**$ 2,089**	**$ (341)**	**(1)**	**$ (52)**	**$ 686**	**$ 6,414**	**$ 13**
Net Income				789				62	851	—
Foreign currency translation adjustments					102			15	117	—
Comprehensive income									968	—
Cash dividends declared ($0.72 per common share)				(268)					(268)	
Distributions to noncontrolling interests								(69)	(69)	
Repurchase and retirement of shares	(16)	—	(170)	(560)		1	42		(688)	
Exercise and vesting of share-based awards	1	—	(5)						(5)	
Share-based compensation			32					—	32	
Acquisition of noncontrolling interest			2						2	(13)
Balance at September 30, 2025	**364**	**$ 4**	**$ 3,887**	**$ 2,050**	**$ (239)**	**—**	**$ (10)**	**$ 694**	**$ 6,386**	**$ —**

*: 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 and Taco Bell brands and their related marks and other intellectual property rights for restaurant services is governed by the amended and restated master license agreement, effective as of August 7, 2026, between Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of the Company and a subsidiary of YUM. Pursuant to the amended and restated master license agreement, we are the exclusive licensee of the KFC 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 August 2026, the Company completed the transaction to acquire ownership of the Pizza Hut brand in Mainland China (the "Pizza Hut Acquisition") from YUM. Upon closing, the Company was no longer subject to the license fees previously payable to YUM for the Pizza Hut brand. In addition, 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 September 30, 2026, there were 14,307 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 September 30, 2026, there were 4,740 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 14.

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") 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 September 30, 2026, and our results of operations, comprehensive income and statements of equity for the quarters and years to date ended September 30, 2026 and 2025, and cash flows for the years to date ended September 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 Annual Report on Form 10-K as filed with the SEC on February 27, 2026.

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 – Acquisitions and Equity Investments

Acquisition of Ownership of the Pizza Hut Brand in Mainland China (the "Pizza Hut Acquisition")

In August 2026, the Company completed the acquisition of ownership of the Pizza Hut brand in Mainland China from YUM for a cash consideration of $1.2 billion. Upon closing, the Company was no longer subject to the license fees previously payable to YUM for the Pizza Hut brand.

The transaction was accounted for as an asset acquisition. The acquired trademarks, other intellectual property and related rights associated with the Pizza Hut brand in Mainland China represent a group of complementary intangible assets (collectively, the "brand name"). The Company determined that the brand name has an indefinite useful life since we intend to use it indefinitely and there are no foreseeable legal, regulatory, or contractual provisions that limit its useful life.

Total purchase consideration, including directly attributable transaction costs, was allocated to assets acquired and liabilities assumed. The carrying amount then assigned to the Pizza Hut brand name was $1,264 million on the acquisition date, after recording the related deferred tax liability impact of $45 million.

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 quarters and years to date ended September 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 September 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 $21 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 quarters and years to date ended September 30, 2026 and 2025. The Company's accounts payable and other current liabilities due to Hangzhou Catering were immaterial as of both September 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 $2 million and $5 million for the quarters ended September 30, 2026 and 2025, respectively, and was $5 million and $8 million for the years to date ended September 30, 2026 and 2025, respectively, 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 $119 million and $97 million from Sunner for the quarters ended September 30, 2026 and 2025, respectively, and $320 million and $272 million for the years to date ended September 30, 2026 and 2025, respectively. The Company's accounts payable and other current liabilities due to Sunner were $44 million and $34 million as of September 30, 2026 and December 31, 2025, respectively.

As of September 30, 2026 and December 31, 2025, the carrying amount of the Company's investment in Sunner was $244 million and $231 million, respectively, exceeding the Company's interest in Sunner's underlying net assets by $158 million and $153 million, respectively. As of September 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 September 30, 2026 and December 31, 2025, the market value of the Company's investment in Sunner was $141 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:

	Quarter Ended		Year to Date Ended	
	9/30/2026	9/30/2025	9/30/2026	9/30/2025
Unrealized gain (loss) recorded on equity securities held as of the end of the period	$ 1	$ (11)	$ (18)	$ (26)

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 $34 million and $30 million as of September 30, 2026 and December 31, 2025, respectively. The Company purchased inventories or services from these investees and the purchase amounts were immaterial for both quarters and years to date ended September 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 September 30, 2026 and December 31, 2025, the carrying amount of the investment was $15 million and fair value change was nil for both quarters and years to date ended September 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:

	Quarter Ended 9/30/2026						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 2,547	$ 654	$ 13	$ —	$ 3,214	$ —	$ 3,214
Franchise fees and income	26	4	2	—	32	—	32
Revenues from transactions with franchisees	23	3	30	127	183	—	183
Other revenues	1	4	262	26	293	(245)	48
Total revenues	$ 2,597	$ 665	$ 307	$ 153	$ 3,722	$ (245)	$ 3,477

Revenues	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Combined	Elimination	Consolidated
	Quarter Ended 9/30/2025						
Company sales	$ 2,363	$ 624	$ 11	$ —	$ 2,998	$ —	$ 2,998
Franchise fees and income	22	3	3	—	28	—	28
Revenues from transactions with franchisees	18	2	23	97	140	—	140
Other revenues	1	6	235	18	260	(220)	40
Total revenues	$ 2,404	$ 635	$ 272	$ 115	$ 3,426	$ (220)	$ 3,206

Revenues	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Combined	Elimination	Consolidated
	Year to Date Ended 9/30/2026						
Company sales	$ 7,251	$ 1,885	$ 35	$ —	$ 9,171	$ —	$ 9,171
Franchise fees and income	73	10	8	—	91	—	91
Revenues from transactions with franchisees	61	8	81	344	494	—	494
Other revenues	3	10	745	73	831	(701)	130
Total revenues	$ 7,388	$ 1,913	$ 869	$ 417	$ 10,587	$ (701)	$ 9,886

Revenues	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Combined	Elimination	Consolidated
	Year to Date Ended 9/30/2025						
Company sales	$ 6,630	$ 1,753	$ 29	$ —	$ 8,412	$ —	$ 8,412
Franchise fees and income	62	7	10	—	79	—	79
Revenues from transactions with franchisees	51	5	59	261	376	—	376
Other revenues	3	19	577	52	651	(544)	107
Total revenues	$ 6,746	$ 1,784	$ 675	$ 313	$ 9,518	$ (544)	$ 8,974

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 September 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 $6 million and $6 million as of September 30, 2026 and December 31, 2025, respectively.

Contract Liabilities

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

Contract liabilities	**9/30/2026**	**12/31/2025**
– Deferred revenue related to prepaid stored-value products	$ 139	$ 133
– Deferred revenue related to upfront franchise fees	55	57
– Deferred revenue related to customer loyalty programs	19	18
– Deferred revenue related to privilege membership programs	37	44
Total	$ 250	$ 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 $59 million and $58 million for the quarters ended September 30, 2026 and 2025, respectively, and $106 million and $96 million for the years to date ended September 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):

	Quarter Ended		**Year to Date Ended**	
	9/30/2026	**9/30/2025**	**9/30/2026**	**9/30/2025**
Net Income – Yum China Holdings, Inc.	$ 311	$ 282	$ 864	$ 789
Weighted-average common shares outstanding (for basic calculation)[(a)]	342	368	347	372
Effect of dilutive share-based awards[(a)]	1	1	1	2
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)[(a)]	343	369	348	374
Basic Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.49	$ 2.12
Diluted Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.48	$ 2.11
Share-based awards excluded from the diluted EPS computation[(b)]	3	3	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 September 30, 2026 and 2025.

Note 6 – Equity

Share Repurchase and Retirement

As of September 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 September 30, 2026 and 2025, the Company repurchased 16.6 million shares of common stock for $778 million, and 14.9 million shares of common stock for $682 million, respectively, under the repurchase program, excluding transaction costs and excise tax. As of September 30, 2026, approximately $378 million remained available for future share repurchases under the authorization.

Of the shares repurchased for the year to date ended September 30, 2026, 16.2 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 are expected to be retired subsequent to September 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 13, 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 $7 million and $6 million for the years to date ended September 30, 2026 and 2025, respectively.

Note 7 – Supplemental Balance Sheet Information

Accounts Receivable, net	9/30/2026	12/31/2025
Accounts receivable, gross	$ 119	$ 97
Allowance for doubtful accounts	(2)	(2)
Accounts receivable, net	$ 117	$ 95

Prepaid Expenses and Other Current Assets	9/30/2026	12/31/2025
Value-added tax ("VAT") assets	$ 175	$ 142
Receivables from payment processors and aggregators	64	72
Deposits, primarily lease deposits	23	24
Interest receivables	14	100
Other prepaid expenses and current assets	114	102
Prepaid expenses and other current assets	$ 390	$ 440

Property, Plant and Equipment ("PP&E")	9/30/2026	12/31/2025
Buildings and improvements, and construction in progress	$ 3,511	$ 3,340
Finance leases, primarily buildings	92	90
Machinery and equipment	2,211	2,035
PP&E, gross	5,814	5,465
Accumulated depreciation	(3,154)	(2,922)
PP&E, net	$ 2,660	$ 2,543

Equity Investments	9/30/2026	12/31/2025
Investment in equity method investees	$ 336	$ 315
Investment in equity securities	39	57
Investment in available-for-sale debt securities	15	15
Equity investments	$ 390	$ 387

Other Assets	9/30/2026	12/31/2025
Prepayment for acquisition of PP&E[(a)]	$ 127	$ 122
Long-term deposits, primarily lease deposits	107	104
Land use right	99	98
VAT assets	15	14
Costs to obtain contracts	5	6
Others	26	18
Other assets	$ 379	$ 362

(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.

Accounts Payable and Other Current Liabilities	9/30/2026	12/31/2025
Accounts payable	$ 959	$ 793
Operating lease liabilities	425	438
Accrued compensation and benefits	222	261
Contract liabilities	204	205
Accrued capital expenditures	133	166
Dividends payable	84	51
Accrued marketing expenses	27	40
Other current liabilities	180	173
Accounts payable and other current liabilities	$ 2,234	$ 2,127

Other Liabilities	9/30/2026	12/31/2025
Contract liabilities	$ 46	$ 47
Accrued income tax payable	22	24
Other non-current liabilities	101	87
Other liabilities	$ 169	$ 158

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	83	79	1	3
Balance as of September 30, 2026				
Goodwill, gross	2,437	1,949	20	468
Accumulated impairment losses[(a)]	(391)	—	—	(391)
Goodwill, net	$ 2,046	$ 1,949	$ 20	$ 77

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

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

	9/30/2026				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	$ 285	$ (283)	$ —	$ 2	$ 274	$ (271)	$ —	$ 3
Huang Ji Huang franchise related assets	22	(8)	—	14	21	(7)	—	14
Daojia platform	9	(2)	(7)	—	9	(2)	(7)	—
Customer-related assets	12	(11)	(1)	—	11	(10)	(1)	—
Others	9	(7)	—	2	9	(6)	—	3
	$ 337	$ (311)	$ (8)	$ 18	$ 324	$ (296)	$ (8)	$ 20
Indefinite-lived intangible assets								
Pizza Hut brand name[(c)]	$ 1,264	$ —	—	$ 1,264	$ —	$ —	$ —	$ —
Little Sheep trademark	54	—	—	54	51	—	—	51
Huang Ji Huang trademark	80	—	—	80	77	—	—	77
	$ 1,398	$ —	$ —	$ 1,398	$ 128	$ —	$ —	$ 128
Total intangible assets	$ 1,735	$ (311)	$ (8)	$ 1,416	$ 452	$ (296)	$ (8)	$ 148

(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.

(c) Pizza Hut brand name relates to the Pizza Hut Acquisition. Refer to Note 3 for detail.

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

Note 9 – Short-term Borrowings

To fund the Pizza Hut Acquisition, the Company entered into a bridge credit agreement with certain financial institutions (the "Credit Agreement"). The Credit Agreement provides for a senior term loan facility denominated in the offshore Renminbi ("CNH") in the amount of CNH8,400 million, bearing an annual interest rate of approximately 1.9% and due up to twelve months from its issuance date (the "Bridge Loan"). The Credit Agreement contains customary covenants, including certain financial covenants. As of September 30, 2026, the Company was in compliance with all such covenants.

From time to time, we had outstanding short-term bank borrowings to manage working capital at our operating subsidiaries. The bank borrowings were denominated in Chinese Renminbi ("RMB") and were due within one year from their issuance dates.

Short-term borrowings as of September 30, 2026 and December 31, 2025 are as follows:

	9/30/2026	12/31/2025
Bridge Loan	$ 1,252	$ —
Other short-term borrowings	297	30
Total short term borrowings	$ 1,549	$ 30

As of September 30, 2026 and December 31, 2025, the weighted average interest rate on short-term borrowings outstanding was 1.8% and 1.5% per annum, respectively.

Note 10 – Leases

As of September 30, 2026, we leased over 16,100 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

	9/30/2026	12/31/2025	Account Classification
Assets			
Operating lease right-of-use assets	$ 2,072	$ 2,189	Operating lease right-of-use assets
Finance lease right-of-use assets	46	49	PP&E, net
Total leased assets[(a)]	$ 2,118	$ 2,238	
Liabilities			
Current			
Operating lease liabilities	$ 425	$ 438	Accounts payable and other current liabilities
Finance lease liabilities	6	6	Accounts payable and other current liabilities
Non-current			
Operating lease liabilities	1,709	1,823	Non-current operating lease liabilities
Finance lease liabilities	47	51	Non-current finance lease liabilities
Total lease liabilities[(a)]	$ 2,187	$ 2,318	

Summary of Lease Cost

	Quarter Ended		Year to Date Ended		
	9/30/2026	9/30/2025	9/30/2026	9/30/2025	Account Classification
Operating lease cost	$ 124	$ 124	$ 380	$ 370	Occupancy and other operating expenses, G&A or Franchise expenses
Finance lease cost					
Amortization of leased assets	2	1	5	4	Occupancy and other operating expenses
Interest on lease liabilities	1	1	2	2	Interest income, net
Variable lease cost	132	123	370	341	Occupancy and other operating expenses or Franchise expenses
Short-term lease cost	2	3	7	10	Occupancy and other operating expenses or G&A
Sub-lease income	(5)	(4)	(14)	(13)	Franchise fees and income or Other revenues
Total lease cost	$ 256	$ 248	$ 750	$ 714	

(a) As of September 30, 2026, excluding the impact of foreign currency translation, right-of-use ("ROU") assets decreased, primarily due to the amortization of existing ROU assets, lower lease payments resulting from lease renegotiations 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	
	9/30/2026	9/30/2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 374	$ 376
Operating cash flows from finance leases	2	2
Financing cash flows from finance leases	5	4
Right-of-use assets obtained in exchange for lease liabilities[(b)]:		
Operating leases	$ 90	$ 206
Finance leases	—	3

(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 $191 million and $219 million for the years to date ended September 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 $101 million and $10 million decrease in lease liabilities for the years to date ended September 30, 2026 and 2025, respectively.

Lease Term and Discount Rate

	9/30/2026	9/30/2025
Weighted-average remaining lease term (years)		
Operating leases	6.7	6.8
Finance leases	10.0	10.4
Weighted-average discount rate		
Operating leases	3.8%	4.2%
Finance leases	3.8%	4.4%

Summary of Future Lease Payments and Lease Liabilities

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

	Amount of Operating Leases	Amount of Finance Leases	Total
Remainder of 2026	$ 147	$ 2	$ 149
2027	460	8	468
2028	402	7	409
2029	340	7	347
2030	283	6	289
Thereafter	785	34	819
Total undiscounted lease payment	2,417	64	2,481
Less: imputed interest[(c)]	283	11	294
Present value of lease liabilities	$ 2,134	$ 53	$ 2,187

(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 September 30, 2026, we have additional lease agreements that have been signed but not yet commenced, with total undiscounted minimum lease payments of $75 million. These leases will commence between the fourth quarter of 2026 and 2028 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 quarters and years to date ended September 30, 2026 and 2025.

	Balance at September 30, 2026	Fair Value Measurement or Disclosure at September 30, 2026		
		Level 1	Level 2	Level 3
Cash equivalents:				
Time deposits	$ 157		$ 157	
Fixed income debt securities[(a)]	110		110	
Money market funds	1	1		
Total cash equivalents	268	1	267	—
Short-term investments:				
Variable return investments	640	640		
Time deposits	251		251	
Structured deposits	150		150	
Fixed income debt securities[(a)]	91		91	
Total short-term investments	1,132	640	492	—
Long-term bank deposits and notes:				
Time deposits	339		339	
Variable return investments	156		156	
Fixed income bank notes[(a)]	150		150	
Structured deposits	25		25	
Total long-term bank deposits and notes	670	—	670	—
Equity investments:				
Investment in equity securities	39	39		
Investment in available-for-sale debt securities	15			15
Total equity investments	54	39	—	15
Total	$ 2,124	$ 680	$ 1,429	$ 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 September 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 quarters and years to date ended September 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.

	Quarter Ended		Year to Date Ended		
	9/30/2026	9/30/2025	9/30/2026	9/30/2025	Account Classification
Restaurant-level impairment[(a)]	$ —	$ 2	$ 7	$ 10	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 September 30, 2026 and 2025 was $19 million and $35 million, respectively.

Note 12 – Qualifying Hedges

The functional currency for our operating entities in China is RMB, the currency of the primary economic environment in which they operate. The reporting currency of the Company is the US$. Foreign currency translation adjustments are recorded in the Accumulated other comprehensive income on the Condensed Consolidated Balance Sheets.

The Company borrowed a Bridge Loan in the amount of CNH8,400 million in August 2026. The CNH-denominated borrowing was designated as a net investment hedge to hedge the foreign currency risk associated with the Company's investments in certain subsidiaries in China. Changes in the carrying value of the borrowing due to fluctuations in the spot exchange rates are recognized in Accumulated other comprehensive income on the Condensed Consolidated Balance Sheets until the sale or substantial liquidation of the underlying net investments. To the extent the net investment hedge is no longer highly effective, hedge accounting will be discontinued prospectively and subsequent changes in carrying value attributable to the change in spot exchange rates will be recognized in the Condensed Consolidated Statements of Income.

A summary of pre-tax gains or losses of foreign currency denominated borrowings designated as net investment hedge is as follows:

	Gains or (Losses) Recognized in Other Comprehensive Income (Loss)			
	Quarter Ended		Year to Date Ended	
Net investment hedge	**9/30/2026**	**9/30/2025**	**9/30/2026**	**9/30/2025**
Foreign currency denominated borrowings	$ (9)	$ —	$ (9)	$ —

No amounts have been excluded from the assessment of hedge effectiveness testing and recognized in our Condensed Consolidated Statement of Income. No amounts have been reclassified from Accumulated other comprehensive income (loss) into our Condensed Consolidated Statement of Income during the quarter and year to date ended September 30, 2026.

Note 13 – Income Taxes

	Quarter Ended		Year to Date Ended	
	9/30/2026	**9/30/2025**	**9/30/2026**	**9/30/2025**
Income tax provision	$ 130	$ 114	$ 345	$ 313
Effective tax rate	28.2%	27.6%	27.2%	27.2%

The higher effective tax rate for the quarter ended September 30, 2026 was primarily due to higher U.S. tax impact.

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. However, the interpretation and application of the Pillar Two regime remain uncertain at jurisdictional levels. 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 14 – 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.

	Quarter Ended 9/30/2026						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 2,597	$ 665	$ 62	$ 153 [b]	$ 3,477	$ —	$ 3,477
Inter-segment revenue[c]	—	—	245	—	245	(245)	—
	2,597	665	307	153	3,722	(245)	3,477
Less:							
Food and paper	783	224	4	—	1,011	—	1,011
Payroll and employee benefits	673	176	3	—	852	(1)	851
Occupancy and other operating expenses	618	154	6	—	778	—	778
General and administrative expenses	66	31	7	51	155	—	155
Franchise expenses	12	—	1	—	13	—	13
Expenses for transactions with franchisees	17	2	28	125 [b]	172	—	172
Other operating costs and expenses	—	4	256 [c]	26	286	(244)	42
Closures and impairment expenses, net	3	1	—	—	4	—	4
Operating Profit (Loss)	425	73	2	(49)	451	—	451
Interest income[a]				12			12
Interest expense[a]				(5)			(5)
Investment gain[a]				5			5
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 463

	Quarter Ended 9/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 2,404	$ 635	$ 52	$ 115 [b]	$ 3,206	$ —	$ 3,206
Inter-segment revenue[c]	—	—	220	—	220	(220)	—
	2,404	635	272	115	3,426	(220)	3,206
Less:							
Food and paper	725	210	4	—	939	—	939
Payroll and employee benefits	616	166	3	—	785	—	785
Occupancy and other operating expenses	586	164	5	—	755	—	755
General and administrative expenses	66	27	7	43	143	—	143
Franchise expenses	9	1	1	—	11	—	11
Expenses for transactions with franchisees	15	2	21	96 [b]	134	—	134
Other operating costs and expenses	1	6	230 [c]	18	255	(220)	35
Closures and impairment expenses, net	2	2	—	—	4	—	4
Operating Profit (Loss)	384	57	1	(42)	400	—	400
Interest income[a]				24			24
Interest expense[a]				(1)			(1)
Investment loss[a]				(10)			(10)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 413

	Year to Date Ended 9/30/2026						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 7,388	$ 1,913	$ 168	$ 417 [b]	$ 9,886	$ —	$ 9,886
Inter-segment revenue[c]	—	—	701	—	701	(701)	—
	7,388	1,913	869	417	10,587	(701)	9,886
Less:							
Food and paper	2,239	641	12	—	2,892	—	2,892
Payroll and employee benefits	1,946	515	9	—	2,470	(2)	2,468
Occupancy and other operating expenses	1,741	457	17	—	2,215	—	2,215
General and administrative expenses	194	85	21	131	431	—	431
Franchise expenses	33	3	1	—	37	—	37
Expenses for transactions with franchisees	47	6	76	341 [b]	470	—	470
Other operating costs and expenses	1	9	730 [c]	70	810	(699)	111
Closures and impairment expenses, net	13	2	1	—	16	—	16
Operating Profit (Loss)	1,174	195	2	(125)	1,246	—	1,246
Interest income[a]				41			41
Interest expense[a]				(6)			(6)
Investment loss[a]				(12)			(12)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 1,269

	Year to Date Ended 9/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 6,746	$ 1,784	$ 131	$ 313 [b]	$ 8,974	$ —	$ 8,974
Inter-segment revenue[c]	—	—	544	—	544	(544)	—
	6,746	1,784	675	313	9,518	(544)	8,974
Less:							
Food and paper	2,041	573	9	—	2,623	—	2,623
Payroll and employee benefits	1,726	483	8	—	2,217	(1)	2,216
Occupancy and other operating expenses	1,641	456	15	—	2,112	—	2,112
General and administrative expenses	186	79	23	124	412	—	412
Franchise expenses	28	3	1	—	32	—	32
Expenses for transactions with franchisees	44	5	54	258 [b]	361	—	361
Other operating costs and expenses	3	17	565 [c]	52	637	(543)	94
Closures and impairment expenses, net	15	5	2	—	22	—	22
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	1,062	163	(2)	(120)	1,103	—	1,103
Interest income[a]				77			77
Interest expense[a]				(3)			(3)
Investment loss[a]				(25)			(25)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 1,152

	Quarter Ended		Year to Date Ended	
Depreciation and Amortization	9/30/2026	9/30/2025	9/30/2026	9/30/2025
KFC	$ 85	$ 76	$ 251	$ 226
Pizza Hut	23	26	69	73
All Other Segments	2	2	5	5
Corporate and Unallocated	11	10	33	29
	$ 121	$ 114	$ 358	$ 333

	Quarter Ended		Year to Date Ended	
Impairment Charges	9/30/2026	9/30/2025	9/30/2026	9/30/2025
KFC[d]	$ 5	$ 4	$ 19	$ 18
Pizza Hut[d]	1	2	4	6
All Other Segments[d]	—	—	1	1
	$ 6	$ 6	$ 24	$ 25

	Quarter Ended		Year to Date Ended	
Capital Spending	9/30/2026	9/30/2025	9/30/2026	9/30/2025
KFC	82	73	$ 237	$ 216
Pizza Hut	23	20	75	64
All Other Segments	2	—	5	1
Corporate and Unallocated	39	33	100	104
	$ 146	$ 126	$ 417	$ 385

	Total Assets	
	9/30/2026	12/31/2025
KFC	$ 5,632	$ 5,560
Pizza Hut[e]	2,249	952
All Other Segments	315	308
Corporate and Unallocated[f]	4,211	3,963
	$ 12,407	$ 10,783

(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) Increase in total assets of Pizza Hut segment primarily results from the Pizza Hut Acquisition. Refer to Note 3 for detail.

(f) 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 15 – 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 16 – Subsequent Events

Cash Dividend

On November 3, 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 December 22, 2026, to stockholders of record as of the close of business on December 1, 2026. Total estimated cash dividend payable is approximately $98 million.

Share Repurchase Authorization

In November 2026, the Company's Board of Directors increased the Company's share repurchase authorization by $1 billion, bringing total authorization since 2017 to $6.4 billion. With the increase of share repurchase authorization, approximately $1.3 billion remained available for future share repurchases under the authorization.

Item 2. 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. See "Cautionary Note Regarding Forward-Looking Statements" at the end of this Item 2 for information regarding forward-looking statements.

Introduction

Yum China Holdings, Inc. is the largest restaurant company in China in terms of 2025 system sales, with 19,989 restaurants covering over 2,800 cities primarily in China as of September 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 and, subject to the agreed terms, Taco Bell brands in China (excluding Hong Kong, Macau and Taiwan). In August 2026, the Company completed the Pizza Hut Acquisition from YUM. Upon closing, the Company became the owner of the Pizza Hut brand in Mainland China and was no longer subject to the license fees previously payable to YUM for the Pizza Hut brand. We also own the intellectual property of the Little Sheep and Huang Ji Huang concepts outright. In addition, we 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 September 30, 2026, KFC operated 14,307 restaurants in over 2,800 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 September 30, 2026, Pizza Hut operated 4,740 restaurants in over 1,300 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. References to quarters are references to the Company's fiscal quarters.

Quarters and Years to Date Ended September 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 14.

	Quarter Ended		%/ppts Change		Year to Date Ended		%/ppts Change	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
System Sales Growth[(a)] (%)	3	4	NM	NM	4	4	NM	NM
Same-Store Sales (Decline) Growth[(a)] (%)	(3)	1	NM	NM	(1)	1	NM	NM
Operating Profit	451	400	+13	+6	1,246	1,103	+13	+6
Adjusted Operating Profit[(b)]	451	400	+13	+6	1,246	1,103	+13	+6
Core Operating Profit[(b)]	423	400	NM	+6	1,174	1,103	NM	+6
OP Margin[(c)] (%)	13.0	12.5	+0.5	+0.4	12.6	12.3	+0.3	+0.3
Core OP Margin[(b)] (%)	12.9	12.5	NM	+0.4	12.6	12.3	NM	+0.3
Net Income	311	282	+10	+3	864	789	+10	+3
Adjusted Net Income[(b)]	311	282	+10	+3	864	789	+10	+3
Diluted Earnings Per Common Share	0.91	0.76	+20	+12	2.48	2.11	+18	+11
Adjusted Diluted Earnings Per Common Share[(b)]	0.91	0.76	+20	+12	2.48	2.11	+18	+11

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.

As compared to the third quarter of 2025, Total revenues in the third quarter of 2026 increased 8%, or 2% excluding the impact of F/X. Total revenues for the year to date ended September 30, 2026 increased 10%, or 4% excluding the impact of F/X. The increase in Total revenues for the quarter ended September 30, 2026, excluding the impact of F/X, was primarily attributable to 5% net new unit contribution, partially offset by 3% same-store sales decline. The increase in Total revenues for the year to date ended September 30, 2026, excluding the impact of F/X, was primarily driven by 5% net new unit contribution, partially offset by 1% same-store sales decline.

Operating profit for the third quarter increased 13%, or 6% excluding the impact of F/X. The increase in Operating profit for the quarter ended September 30, 2026 was primarily driven by the increase in Total revenues, efficiency improvement from streamlined operations, favorable commodity prices and the decrease in license fees payable to YUM post the Pizza Hut Acquisition, partially offset by value-for-money offerings and increased delivery cost associated with higher delivery sales mix in the current period.

Operating profit for the year to date ended September 30, 2026 increased 13%, or 6% excluding the impact of F/X. The increase in Operating profit for the year to date ended September 30, 2026 was primarily driven by the increase in Total revenues, efficiency improvement from streamlined operations, favorable commodity prices and the decrease in license fees payable to YUM post the Pizza Hut Acquisition, 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 quarter and year to date ended September 30, 2026 both increased 10%, or 3% excluding the impact of F/X. The increase in Net income was mainly due to the increase in Operating Profit, partially offset by less interest income from lower investment balance resulting from cash used in return to shareholders and lower interest rates.

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

	Quarter Ended		% B/(W)[a]		Year to Date Ended		% B/(W)[a]	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
Company sales	$ 3,214	$ 2,998	7	1	$ 9,171	$ 8,412	9	3
Franchise fees and income	32	28	17	10	91	79	16	10
Revenues from transactions with franchisees	183	140	30	23	494	376	31	24
Other revenues	48	40	19	12	130	107	21	15
Total revenues	$ 3,477	$ 3,206	8	2	$ 9,886	$ 8,974	10	4
Company restaurant expenses	$ 2,640	$ 2,479	(7)	—	$ 7,575	$ 6,951	(9)	(3)
Operating Profit	$ 451	$ 400	13	6	$ 1,246	$ 1,103	13	6
OP Margin (%)	13.0%	12.5%	0.5 ppts.	0.4 ppts.	12.6%	12.3%	0.3 ppts.	0.3 ppts.
Interest income, net	7	23	(70)	(67)	35	74	(55)	(54)
Investment gain (loss)	5	(10)	NM	NM	(12)	(25)	52	52
Income tax provision	(130)	(114)	(14)	(8)	(345)	(313)	(10)	(4)
Equity in net earnings (losses) from equity method investments	2	6	(64)	(66)	6	12	(41)	(44)
Net Income – including noncontrolling interests	335	305	10	3	930	851	9	3
Net Income – noncontrolling interests	24	23	(3)	3	66	62	(5)	—
Net Income – Yum China Holdings, Inc.	$ 311	$ 282	10	3	$ 864	$ 789	10	3
Diluted Earnings Per Common Share	$ 0.91	$ 0.76	20	12	$ 2.48	$ 2.11	18	11
Effective tax rate	28.2%	27.6%			27.2%	27.2%		
Supplementary information – Non-GAAP Measures[b]								
Restaurant profit	$ 574	$ 519	10	4	$ 1,596	$ 1,461	9	3
Restaurant margin (%)	17.8%	17.3%	0.5 ppts.	0.5 ppts.	17.4%	17.4%	— ppts.	— ppts.
Adjusted Operating Profit	$ 451	$ 400			$ 1,246	$ 1,103		
Core Operating Profit	$ 423	$ 400			$ 1,174	$ 1,103		
Core OP Margin (%)	12.9%	12.5%			12.6%	12.3%		
Adjusted Net Income – Yum China Holdings, Inc.	$ 311	$ 282			$ 864	$ 789		
Adjusted Diluted Earnings Per Common Share	$ 0.91	$ 0.76			$ 2.48	$ 2.11		
Adjusted Effective Tax Rate	28.2%	27.6%			27.2%	27.2%		
Adjusted EBITDA	$ 578	$ 520			$ 1,628	$ 1,461		

(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

	Quarter Ended 9/30/2026	Year to Date Ended 9/30/2026
	% change	% change
System Sales Growth	9%	10%
System Sales Growth, excluding F/X	3%	4%
Same-Store Sales Decline	(3)%	(1)%

Unit Count	9/30/2026	9/30/2025	% Increase
Company-owned	16,164	14,682	10
Franchisees	3,825	2,832	35
	19,989	17,514	14

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:

	Quarter Ended		Year to Date Ended	
	9/30/2026	9/30/2025	9/30/2026	9/30/2025
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	$ 451	$ 400	$ 1,246	$ 1,103
Special Items, Operating Profit	—	—	—	—
Adjusted Operating Profit	$ 451	$ 400	$ 1,246	$ 1,103
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	$ 311	$ 282	$ 864	$ 789
Special Items, Net Income –Yum China Holdings, Inc.	—	—	—	—
Adjusted Net Income – Yum China Holdings, Inc.	$ 311	$ 282	$ 864	$ 789
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.49	$ 2.12
Special Items, Basic Earnings Per Common Share	—	—	—	—
Adjusted Basic Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.49	$ 2.12
Diluted Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.48	$ 2.11
Special Items, Diluted Earnings Per Common Share	—	—	—	—
Adjusted Diluted Earnings Per Common Share	$ 0.91	$ 0.76	$ 2.48	$ 2.11
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	28.2%	27.6%	27.2%	27.2%
Impact on effective tax rate as a result of Special Items	—	—	—	—
Adjusted effective tax rate	28.2%	27.6%	27.2%	27.2%

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

	Quarter Ended		Year to Date Ended	
	9/30/2026	9/30/2025	9/30/2026	9/30/2025
Net Income – Yum China Holdings, Inc.	$ 311	$ 282	$ 864	$ 789
Net income – noncontrolling interests	24	23	66	62
Equity in net (earnings) losses from equity method investments	(2)	(6)	(6)	(12)
Income tax provision	130	114	345	313
Interest income, net	(7)	(23)	(35)	(74)
Investment (gain) loss	(5)	10	12	25
Operating Profit	451	400	1,246	1,103
Special Items, Operating Profit	—	—	—	—
Adjusted Operating Profit	451	400	1,246	1,103
Depreciation and amortization	121	114	358	333
Store impairment charges	6	6	24	25
Adjusted EBITDA	$ 578	$ 520	$ 1,628	$ 1,461

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

	Quarter Ended 9/30/2026					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 425	$ 73	$ 2	$ (49)	$ —	$ 451
Less:						
Franchise fees and income	26	4	2	—	—	32
Revenues from transactions with franchisees	23	3	30	127	—	183
Other revenues	1	4	262	26	(245)	48
Add:						
General and administrative expenses	66	31	7	51	—	155
Franchise expenses	12	—	1	—	—	13
Expenses for transactions with franchisees	17	2	28	125	—	172
Other operating costs and expenses	—	4	256	26	(244)	42
Closures and impairment expenses, net	3	1	—	—	—	4
Restaurant profit	$ 473	$ 100	$ —	$ —	$ 1	$ 574
Company sales	2,547	654	13	—	—	3,214
Restaurant margin (%)	18.6%	15.3%	(3.3)%	N/A	N/A	17.8%

	Quarter Ended 9/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 384	$ 57	$ 1	$ (42)	$ —	$ 400
Less:						
Franchise fees and income	22	3	3	—	—	28
Revenues from transactions with franchisees	18	2	23	97	—	140
Other revenues	1	6	235	18	(220)	40
Add:						
General and administrative expenses	66	27	7	43	—	143
Franchise expenses	9	1	1	—	—	11
Expenses for transactions with franchisees	15	2	21	96	—	134
Other operating costs and expenses	1	6	230	18	(220)	35
Closures and impairment expenses, net	2	2	—	—	—	4
Restaurant profit (loss)	$ 436	$ 84	$ (1)	$ —	$ —	$ 519
Company sales	2,363	624	11	—	—	2,998
Restaurant margin (%)	18.5%	13.4%	(8.2)%	N/A	N/A	17.3%

	Year to Date Ended 9/30/2026					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 1,174	$ 195	$ 2	$ (125)	$ —	$ 1,246
Less:						
Franchise fees and income	73	10	8	—	—	91
Revenues from transactions with franchisees	61	8	81	344	—	494
Other revenues	3	10	745	73	(701)	130
Add:						
General and administrative expenses	194	85	21	131	—	431
Franchise expenses	33	3	1	—	—	37
Expenses for transactions with franchisees	47	6	76	341	—	470
Other operating costs and expenses	1	9	730	70	(699)	111
Closures and impairment expenses, net	13	2	1	—	—	16
Restaurant profit (loss)	$ 1,325	$ 272	$ (3)	$ —	$ 2	$ 1,596
Company sales	7,251	1,885	35	—	—	9,171
Restaurant margin (%)	18.3%	14.4%	(6.4)%	N/A	N/A	17.4%

	Year to Date Ended 9/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 1,062	$ 163	$ (2)	$ (120)	$ —	$ 1,103
Less:						
Franchise fees and income	62	7	10	—	—	79
Revenues from transactions with franchisees	51	5	59	261	—	376
Other revenues	3	19	577	52	(544)	107
Add:						
General and administrative expenses	186	79	23	124	—	412
Franchise expenses	28	3	1	—	—	32
Expenses for transactions with franchisees	44	5	54	258	—	361
Other operating costs and expenses	3	17	565	52	(543)	94
Closures and impairment expenses, net	15	5	2	—	—	22
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	$ 1,222	$ 241	$ (3)	$ —	$ 1	$ 1,461
Company sales	6,630	1,753	29	—	—	8,412
Restaurant margin (%)	18.4%	13.7%	(13.0)%	N/A	N/A	17.4%

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

	Quarter ended		% Change	Year to Date Ended		% Change
	9/30/2026	9/30/2025	B/(W)	9/30/2026	9/30/2025	B/(W)
Operating profit	$ 451	$ 400	13	$ 1,246	$ 1,103	13
Special Items, Operating Profit	—	—		—	—	
Adjusted Operating Profit	$ 451	$ 400	13	$ 1,246	$ 1,103	13
Items Affecting Comparability	—	—		—	—	
F/X impact	(28)	—		(72)	—	
Core Operating Profit	$ 423	$ 400	6	$ 1,174	$ 1,103	6
Total revenues	3,477	3,206	8	9,886	8,974	10
F/X impact	(203)	—		(545)	—	
Total revenues, excluding the impact of F/X	$ 3,274	$ 3,206	2	$ 9,341	$ 8,974	4
Core OP margin (%)	12.9%	12.5%	0.4 ppts.	12.6%	12.3%	0.3 ppts.

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

	Quarter Ended 9/30/2026					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 425	$ 73	$ 2	$ (49)	$ —	$ 451
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 425	$ 73	$ 2	$ (49)	$ —	$ 451
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	(25)	(4)	—	1	—	(28)
Core Operating Profit (Loss)	$ 400	$ 69	$ 2	$ (48)	$ —	$ 423

	Quarter Ended 9/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 384	$ 57	$ 1	$ (42)	$ —	$ 400
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 384	$ 57	$ 1	$ (42)	$ —	$ 400
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	$ 384	$ 57	$ 1	$ (42)	$ —	$ 400

	Year to Date Ended 9/30/2026					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 1,174	$ 195	$ 2	$ (125)	$ —	$ 1,246
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 1,174	$ 195	$ 2	$ (125)	$ —	$ 1,246
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	(65)	(11)	—	4	—	(72)
Core Operating Profit (Loss)	$ 1,109	$ 184	$ 2	$ (121)	$ —	$ 1,174

	Year to Date Ended 9/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 1,062	$ 163	$ (2)	$ (120)	$ —	$ 1,103
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 1,062	$ 163	$ (2)	$ (120)	$ —	$ 1,103
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	$ 1,062	$ 163	$ (2)	$ (120)	$ —	$ 1,103

Segment Results

KFC

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
Company sales	$ 2,547	$ 2,363	8	1	$ 7,251	$ 6,630	9	3
Franchise fees and income	26	22	20	13	73	62	20	13
Revenues from transactions with franchisees	23	18	26	18	61	51	20	13
Other revenues	1	1	4	(2)	3	3	(1)	(7)
Total revenues	$ 2,597	$ 2,404	8	2	$ 7,388	$ 6,746	10	3
Company restaurant expenses	$ 2,074	$ 1,927	(8)	(1)	$ 5,926	$ 5,408	(10)	(4)
G&A expenses	$ 66	$ 66	(1)	5	$ 194	$ 186	(4)	1
Franchise expenses	$ 12	$ 9	(18)	(11)	$ 33	$ 28	(18)	(11)
Expenses for transactions with franchisees	$ 17	$ 15	(11)	(5)	$ 47	$ 44	(7)	(1)
Other operating costs and expenses	$ —	$ 1	64	66	$ 1	$ 3	60	62
Closures and impairment expenses, net	$ 3	$ 2	(67)	(58)	$ 13	$ 15	14	19
Operating Profit	$ 425	$ 384	10	4	$ 1,174	$ 1,062	10	4
OP Margin (%)	16.3%	16.0%	0.3 ppts.	0.3 ppts.	15.9%	15.8%	0.1 ppts.	0.1 ppts.
Restaurant profit	$ 473	$ 436	8	2	$ 1,325	$ 1,222	8	2
Restaurant margin (%)	18.6%	18.5%	0.1 ppts.	0.1 ppts.	18.3%	18.4%	(0.1) ppts.	(0.1) ppts.

	Quarter Ended 9/30/2026	Year to Date Ended 9/30/2026
	% change	% change
System Sales Growth	10%	11%
System Sales Growth, excluding F/X	3%	5%
Same-Store Sales Decline	(3)%	Even

Unit Count	9/30/2026	9/30/2025	% Increase
Company-owned	11,749	10,775	9
Franchisees	2,558	1,865	37
	14,307	12,640	13

Company Sales and Restaurant Profit

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

	Quarter Ended				
Income (Expense)	**9/30/2025**	**Store Portfolio Actions**	**Other**	**F/X**	**9/30/2026**
Company sales	$ 2,363	$ 99	$ (63)	$ 148	$ 2,547
Cost of sales	(725)	(35)	23	(46)	(783)
Cost of labor	(616)	(29)	10	(38)	(673)
Occupancy and other operating expenses	(586)	(20)	24	(36)	(618)
Restaurant profit	$ 436	$ 15	$ (6)	$ 28	$ 473

	Year to Date Ended				
Income (Expense)	**9/30/2025**	**Store Portfolio Actions**	**Other**	**F/X**	**9/30/2026**
Company sales	$ 6,630	$ 251	$ (30)	$ 400	$ 7,251
Cost of sales	(2,041)	(88)	14	(124)	(2,239)
Cost of labor	(1,726)	(76)	(38)	(106)	(1,946)
Occupancy and other operating expenses	(1,641)	(55)	51	(96)	(1,741)
Restaurant profit	$ 1,222	$ 32	$ (3)	$ 74	$ 1,325

As compared to the third quarter of 2025, the increase in Company sales for the quarter, excluding the impact of F/X, was primarily driven by net unit growth, partially offset by same-store sales decline. The increase in Restaurant profit for the quarter, 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 rider cost associated with higher delivery sales mix in the current period.

The increase in Company sales for the year-to-date ended September 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 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 quarter and 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 quarter and year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

Pizza Hut

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
Company sales	$ 654	$ 624	5	(1)	$ 1,885	$ 1,753	8	2
Franchise fees and income	4	3	37	29	10	7	39	32
Revenues from transactions with franchisees	3	2	61	51	8	5	50	42
Other revenues	4	6	(38)	(42)	10	19	(47)	(50)
Total revenues	$ 665	$ 635	5	(1)	$ 1,913	$ 1,784	7	1
Company restaurant expenses	$ 554	$ 540	(3)	3	$ 1,613	$ 1,512	(7)	(1)
G&A expenses	$ 31	$ 27	(10)	(3)	$ 85	$ 79	(7)	(1)
Franchise expenses	$ —	$ 1	38	42	$ 3	$ 3	(9)	(4)
Expenses for transactions with franchisees	$ 2	$ 2	(36)	(28)	$ 6	$ 5	(29)	(22)
Other operating costs and expenses	$ 4	$ 6	41	45	$ 9	$ 17	49	52
Closures and impairment expenses, net	$ 1	$ 2	34	37	$ 2	$ 5	48	51
Operating Profit	$ 73	$ 57	29	21	$ 195	$ 163	20	13
OP Margin (%)	11.0%	8.9%	2.1 ppts.	2.0 ppts.	10.2%	9.1%	1.1 ppts.	1.1 ppts.
Restaurant profit	$ 100	$ 84	20	13	$ 272	$ 241	13	7
Restaurant margin (%)	15.3%	13.4%	1.9 ppts.	1.9 ppts.	14.4%	13.7%	0.7 ppts.	0.7 ppts.

	Quarter Ended 9/30/2026	Year to Date Ended 9/30/2026
	% change	% change
System Sales Growth	7%	10%
System Sales Growth, excluding F/X	1%	4%
Same-Store Sales Decline	(3)%	(1)%

Unit Count	9/30/2026	9/30/2025	% Increase
Company-owned	4,136	3,742	11
Franchisees	604	280	116
	4,740	4,022	18

Company Sales and Restaurant Profit

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

	Quarter Ended				
Income (Expense)	9/30/2025	Store Portfolio Actions	Other	F/X	9/30/2026
Company sales	$ 624	$ 12	$ (19)	$ 37	$ 654
Cost of sales	(210)	(3)	2	(13)	(224)
Cost of labor	(166)	(3)	3	(10)	(176)
Occupancy and other operating expenses	(164)	(2)	21	(9)	(154)
Restaurant profit	$ 84	$ 4	$ 7	$ 5	$ 100

	Year to Date Ended				
Income (Expense)	9/30/2025	Store Portfolio Actions	Other	F/X	9/30/2026
Company sales	$ 1,753	$ 48	$ (19)	$ 103	$ 1,885
Cost of sales	(573)	(15)	(18)	(35)	(641)
Cost of labor	(483)	(12)	9	(29)	(515)
Occupancy and other operating expenses	(456)	(12)	36	(25)	(457)
Restaurant profit	$ 241	$ 9	$ 8	$ 14	$ 272

As compared to the third quarter of 2025, the decrease in Company sales for the quarter, excluding the impact of F/X, was primarily driven by same-store sales decline, partially offset by net unit growth. The increase in Restaurant profit for the quarter, excluding the impact of F/X, was primarily driven by efficiency improvement from streamlined operations, the decrease in license fees payable to YUM post the Pizza Hut Acquisition and favorable commodity prices, partially offset by the decrease in Company sales, value-for-money offerings and increased delivery cost associated with higher delivery sales mix in the current period.

The increase in Company sales for the year to date ended September 30, 2026, excluding the impact of F/X, was primarily driven by net unit growth, partially offset by same-store sales decline. 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, favorable commodity prices and the decrease in license fees payable to YUM post the Pizza Hut Acquisition, 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 quarter and 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 quarter and year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

All Other Segments

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

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
Company sales	$ 13	$ 11	23	16	$ 35	$ 29	25	18
Franchise fees and income	2	3	(18)	(23)	8	10	(23)	(27)
Revenues from transactions with franchisees	30	23	29	21	81	59	37	30
Other revenues	262	235	11	5	745	577	29	22
Total revenues	$ 307	$ 272	13	6	$ 869	$ 675	29	22
Company restaurant expenses	$ 13	$ 12	(17)	(10)	$ 38	$ 32	(17)	(11)
G&A expenses	$ 7	$ 7	(1)	5	$ 21	$ 23	7	12
Franchise expenses	$ 1	$ 1	45	48	$ 1	$ 1	13	17
Expenses for transactions with franchisees	$ 28	$ 21	(30)	(22)	$ 76	$ 54	(40)	(32)
Other operating costs and expenses	$ 256	$ 230	(12)	(5)	$ 730	$ 565	(29)	(22)
Closures and impairment expenses, net	$ —	$ —	(130)	(116)	$ 1	$ 2	36	39
Operating Profit (Loss)	$ 2	$ 1	(37)	(29)	$ 2	$ (2)	NM	NM
OP Margin (%)	0.8%	0.7%	0.1 ppts.	0.1 ppts.	0.3%	(0.2)%	0.5 ppts.	0.5 ppts.
Restaurant profit (loss)	$ —	$ (1)	51	61	$ (3)	$ (3)	39	46
Restaurant margin (%)	(3.3)%	(8.2)%	4.9 ppts.	4.9 ppts.	(6.4)%	(13.0)%	6.6 ppts.	6.6 ppts.

Total Revenues

The quarter and 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 quarter and 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

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	9/30/2026	9/30/2025	Reported	Ex F/X	9/30/2026	9/30/2025	Reported	Ex F/X
Revenues from transactions with franchisees	$ 127	$ 97	31	24	$ 344	$ 261	32	25
Other revenues	$ 26	$ 18	43	34	$ 73	$ 52	40	32
Expenses for transactions with franchisees	$ 125	$ 96	(30)	(23)	$ 341	$ 258	(32)	(25)
Other operating costs and expenses	$ 26	$ 18	(39)	(31)	$ 70	$ 52	(35)	(28)
Corporate G&A expenses	$ 51	$ 43	(18)	(13)	$ 131	$ 124	(6)	(2)
Other unallocated income, net	$ —	$ —	NM	NM	$ —	$ (1)	(92)	(95)
Interest income, net	$ 7	$ 23	(70)	(67)	$ 35	$ 74	(55)	(54)
Investment gain (loss)	$ 5	$ (10)	NM	NM	$ (12)	$ (25)	52	52
Income tax provision (See Note 13)	$ (130)	$ (114)	(14)	(8)	$ (345)	$ (313)	(10)	(4)
Equity in net earnings (losses) from equity method investments	$ 2	$ 6	(64)	(66)	$ 6	$ 12	(41)	(44)
Effective tax rate (See Note 13)	28.2%	27.6%	(0.6) ppts.	(0.6) ppts.	27.2%	27.2%	— ppts.	— 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 quarter and 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 quarter and year to date increase in Corporate G&A expenses, excluding the impact of F/X, was primarily due to less government subsidies, partially offset by lower performance-based compensation costs.

Interest Income, Net

The quarter and 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, lower interest rates and interest expense associated with the Bridge Loan to fund the Pizza Hut Acquisition.

Investment Gain (Loss)

The change in investment gain (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 higher effective tax rate for the quarter ended September 30, 2026 was primarily due to higher U.S. tax impact.

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 September 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 September 30, 2026, current VAT assets of $175 million, non-current VAT assets of $15 million and net VAT payable of $6 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 "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for further discussion.

Condensed Consolidated Cash Flows

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

Net cash provided by operating activities was $1,481 million in 2026 as compared to $1,341 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 $1,802 million in 2026 as compared to $316 million in 2025. The increase was mainly due to the cash consideration of $1.2 billion paid for the Pizza Hut Acquisition and the net impact on cash flows resulting from purchases and maturities of short-term investments, and long-term bank deposits and notes.

Net cash provided by financing activities was $341 million in 2026 as compared to net cash used in financing activities of $1,107 million in 2025. The change was primarily driven by approximately $1.2 billion proceeds from short-term borrowings to finance the Pizza Hut Acquisition, partially offset by the increase of share repurchases and cash dividends paid on common stock.

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 Pizza Hut Acquisition for a cash consideration of $1.2 billion. To finance the transaction, the Company borrowed an offshore Bridge Loan in the amount of CNH8,400 million for up to twelve months. The outstanding balance of the Bridge Loan is $1,252 million as of September 30, 2026.

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 September 30, 2026, our Board of Directors authorized an aggregate of $5.4 billion for our share repurchase program. 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 September 30, 2026 and 2025, the Company repurchased 16.6 million shares of common stock for $778 million and 14.9 million shares of common stock for $682 million, respectively, under the repurchase program, excluding transaction costs and excise tax.

In November 2026, our Board of Directors increased the share repurchase authorization by $1 billion, bringing total authorization since 2017 to $6.4 billion. With the increase of share repurchase authorization, approximately $1.3 billion remained available for future share repurchases under the authorization.

For the quarters ended September 30, 2026 and 2025, the Company paid cash dividends of approximately $99 million and $88 million, respectively, and for the years to date ended September 30, 2026 and 2025, the Company paid aggregate cash dividends of approximately $302 million and $268 million, respectively, to stockholders through a quarterly dividend payment of $0.29 and $0.24 per share, respectively.

On November 3, 2026, the Board of Directors declared a cash dividend of $0.29 per share, payable on December 22, 2026, to stockholders of record as of the close of business on December 1, 2026. The total estimated cash dividend payable is approximately $98 million.

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.

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. Our ability to return capital to shareholders in the future is also subject to the factors described below under "Forward-Looking Statements." 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 September 30, 2026, the Company had approximately $2,846 million of available credit facilities, consisting of RMB-denominated credit facilities totaling RMB16,400 million, including CNH-denominated loan facilities, and U.S. dollar-denominated credit facilities totaling $400 million.

The credit facilities had remaining terms ranging from less than one year to three years as of September 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 CNH Hong Kong Interbank Offered Rate ("CNH HIBOR") published by the Treasury Markets Association of Hong Kong, 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. Certain credit facilities contain a cross-default provision whereby our failure to make payments may constitute a default on other credit facilities. Some of the credit facilities contain certain customary covenants including, among other things, certain financial covenants, limitations on certain additional indebtedness and liens, and certain other transactions specified in the respective agreements. As of September 30, 2026, we had an offshore Bridge Loan of CNH8,400 million (approximately $1,252 million) to finance the Pizza Hut Acquisition, and other short-term bank borrowings of RMB1,996 million (approximately $297 million), mainly to manage working capital at our operating subsidiaries. Such bank borrowings are due within one year from their issuance dates. As of September 30, 2026, we also had outstanding bank guarantees of RMB327 million (approximately $49 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 September 30, 2026, the Company had unused credit facilities of approximately $1,155 million.

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.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan," "could," "target," "aim," "commit," "predict," "likely," "should," "forecast," "outlook," "model," "continue," "ongoing" or other similar terminology. Forward-looking statements include, without limitation, statements regarding our future strategies, growth, business plans, restaurant expansion plans and operating profit targets, as well as the expected benefits and impact of the acquisition of ownership of the Pizza Hut brand in Mainland China from YUM (the "Pizza Hut Acquisition") and related financing (including plans for long-term financing), including expected license-fee savings, expected margin benefits, expected EPS accretion and potential long-term value creation. Forward-looking statements are based on our expectations, estimates, assumptions or projections concerning future results or events as of the date of the filing of this Form 10-Q. Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results and events to differ materially from those indicated by those statements. We cannot assure you that any of our assumptions are correct or any of our expectations, estimates or projections will be achieved. Numerous factors could cause our actual results to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following:

- Risks related to our business and industry, such as (a) food safety and foodborne illness concerns, (b) significant failure to maintain effective quality assurance systems for our restaurants, (c) significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering, (d) health concerns arising from outbreaks of viruses or other illnesses, (e) the fact that the operation of our restaurants is subject to the terms of the master license agreement with YUM, (f) the fact that substantially all of our revenue is derived from our operations in China, (g) the fact that our success is tied to the success of YUM's brand strength, marketing campaigns and product innovation, (h) shortages or interruptions in the availability and delivery of food products and other supplies, (i) fluctuation of raw materials prices, (j) our inability to attain our target development goals, the potential cannibalization of existing sales by aggressive development and the possibility that new restaurants will not be profitable, (k) risks associated with leasing real estate, (l) inability to obtain desirable restaurant locations on commercially reasonable terms, (m) labor shortages or increases in labor costs, (n) the fact that our success depends substantially on our corporate reputation and on the value and perception of our brands, (o) challenges and risks related to our franchise development, (p) failures or interruptions of service or security breaches in our information technology systems, (q) the occurrence of security breaches and cyber-attacks, (r) failure to protect the integrity and security of our customer or employee personal, financial or other data or our proprietary or confidential information that is stored in our information systems or by third parties on our behalf, (s) the fact that our business depends on the performance of, and our long-term relationships with, third-party mobile payment processors, internet infrastructure operators, internet service providers, delivery aggregators and third-party e-commerce platforms, (t) failure to provide timely and reliable delivery services by our restaurants and the continued increase in delivery sales mix, (u) our growth strategy with respect to our coffee business may not be successful, (v) the anticipated benefits of our acquisitions may not be realized in a timely manner or at all, (w) challenges and risks related to our new retail business, (x) use of GenAI technologies, (y) our inability or failure to recognize, respond to and effectively manage the impact of social media, (z) failure to comply with anti-bribery or anti-corruption laws, (aa) U.S. federal income taxes, changes in tax rates, disagreements with tax authorities and imposition of new taxes, (bb) changes in consumer discretionary spending and general economic conditions, (cc) the fact that the restaurant industry in which we operate is highly competitive, (dd) loss of or failure to obtain or renew any or all of the approvals, licenses and permits to operate our business, (ee) our inability to adequately protect the intellectual property we own or have the right to use, (ff) our licensor's failure to protect its intellectual property, (gg) seasonality and certain major events in China, (hh) our failure to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties, (ii) the fact that our success depends on the continuing efforts of our key management and experienced and capable personnel as well as our ability to recruit new talent, (jj) our strategic investments or acquisitions may be unsuccessful; (kk) our investment in technology and innovation may not generate the expected level of returns, (ll) fluctuation of changes for our equity investments measured at fair value, lower yields of our short-term investments or lower returns of our future long-term

bank deposits and notes may adversely affect our financial results, and (mm) our operating results or net income may be adversely affected by our investment in equity method investees;

- Risks related to doing business in China, such as (a) changes in Chinese political policies and economic and social policies or conditions, (b) the interpretation and enforcement of Chinese laws, rules and regulations may change from time to time with little advance notice, and the risk that the PRC government may intervene or influence our operations, which could result in a material change in our operations and/or the value of our securities to decline, (c) audit reports included in our annual reports prepared by auditors who are located in China, and in the event the PCAOB is unable to inspect our auditors, our common stock will be subject to potential delisting from the New York Stock Exchange, (d) changes in political, business, economic and trade relations between the United States and China, (e) fluctuation in the value of the Chinese Renminbi, (f) the fact that we face increasing focus and evolving requirements on environmental sustainability issues, (g) limitation on our ability to utilize our cash balances effectively, including making funds held by our China-based subsidiaries unavailable for use outside of mainland China, due to interventions in or the imposition of restrictions and limitations by the PRC government on currency conversion and payments of foreign currency and RMB out of mainland China, (h) changes in the laws and regulations of China or noncompliance with applicable laws and regulations, (i) reliance on dividends and other distributions on equity paid by our principal subsidiaries in China to fund offshore cash requirements, and uncertainties regarding the application of the withholding tax rates could have a material adverse effect on our business and financial results, (j) potential unfavorable tax consequences resulting from our classification as a China resident enterprise for Chinese enterprise income tax purposes, (k) uncertainty regarding indirect transfers of equity interests in China resident enterprises and enhanced scrutiny by Chinese tax authorities, (l) difficulties in effecting service of legal process, conducting investigations, collecting evidence, enforcing foreign judgments or bringing original actions in China against us, (m) the Chinese government may determine that the variable interest entity structure of Daojia does not comply with Chinese laws on foreign investment in restricted industries, (n) inability to use properties due to defects caused by non-registration of lease agreements related to certain properties, (o) risk in relation to unexpected land acquisitions, building closures or demolitions, (p) potential fines and other legal or administrative sanctions for failure to comply with Chinese regulations regarding our employee equity incentive plans and various employee benefit plans, (q) proceedings instituted by the SEC against certain China-based accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (r) restrictions on our ability to make loans or additional capital contributions to our Chinese subsidiaries due to Chinese regulation of loans to, and direct investment in, Chinese entities by offshore holding companies and governmental administration of currency conversion, (s) difficulties in pursuing growth through acquisitions due to regulations regarding acquisitions, and (t) the PRC government has significant oversight and discretion to exert supervision over offerings of securities conducted outside of China and over foreign investment in China-based issuers, and may limit or completely hinder our ability to offer securities to investors, or cause the value of our securities to significantly decline;

- Risks related to the separation and related transactions, such as (a) incurring significant tax liabilities if the distribution does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes and the Company could be required to indemnify YUM for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement, (b) being obligated to indemnify YUM for material taxes and related amounts pursuant to indemnification obligations under the tax matters agreement if YUM is subject to Chinese indirect transfer tax with respect to the distribution, (c) potential indemnification liabilities owing to YUM pursuant to the separation and distribution agreement, (d) the indemnity provided by YUM to us with respect to certain liabilities in connection with the separation may be insufficient to insure us against the full amount of such liabilities, (e) the possibility that a court would require that we assume responsibility for obligations allocated to YUM under the separation and distribution agreement, and (f) potential liabilities due to fraudulent transfer considerations;

- Risks related to the Pizza Hut Acquisition and related financing, including (a) the ability to realize the anticipated benefits of the Pizza Hut Acquisition, including margin benefits or EPS accretion, (b) the availability, terms and cost of long-term debt financing to refinance the Bridge Loan, (c) tax and accounting treatment, (d) changes in consumer demand or competitive conditions, and (e) the risk that the Pizza Hut Acquisition may not result in anticipated long-term value creation; and

- General risks, such as (a) potential legal proceedings, (b) changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters, (c) failure of our insurance policies to provide adequate coverage for claims associated with our business operations, (d) unforeseeable business interruptions, and (e) failure by us to maintain effective disclosure controls and procedures and internal control over financial reporting in accordance with the rules of the SEC.

In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the SEC (including the information set forth under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025) for additional information regarding factors that could affect our financial and other results. You should not place undue reliance on forward-looking statements, which speak only as of the date of the filing of this Form 10-Q. We are not undertaking to update any of these statements, except as required by law.

Item 3. 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 quarter and year to date ended September 30, 2026, the Company's Operating profit would have decreased by approximately $42 million and $117 million, respectively, 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.

In addition, as of September 30, 2026 the Company had a CNH-denominated borrowing of $1,252 million which was designated as a net investment hedge of its investments in certain subsidiaries in China, with changes in the carrying value of the borrowing due to spot exchange rate fluctuations recorded in Accumulated other comprehensive income. As of September 30, 2026, the related foreign exchange loss recorded in Accumulated other comprehensive income was $9 million. If the hedge is no longer highly effective, hedge accounting will be discontinued prospectively and further changes in the carrying value of the borrowing due to changes in exchange rates will be recorded in our Condensed Consolidated Statements of Income. See Note 12 for further discussion on our net investment hedge.

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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes with respect to the Company's internal control over financial reporting during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We face a variety of risks that are inherent in our business and our industry, including operational, legal and regulatory risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. There have been no material changes from the risk factors disclosed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025, which was filed with the SEC on February 27, 2026.

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

As of September 30, 2026, our Board of Directors authorized an aggregate of $5.4 billion for our share repurchase program. The authorization does not have an expiration date.

The following table provides information as of September 30, 2026 with respect to shares of Yum China common stock repurchased on the NYSE and HKEX by the Company during the quarter then ended:

Period	Total Number of Shares Repurchased (thousands)	Average Price Paid Per Share[(a)]	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs (thousands)	Approximate Dollar Value of Shares that May Yet Be Repurchased under the Plans or Programs (millions)
7/1/26-7/31/26	2,057	$ 43.76	2,057	$ 551
8/1/26-8/31/26	1,802	$ 47.41	1,802	$ 465
9/1/26-9/30/26	2,059	$ 42.18	2,059	$ 378
Total	5,918	$ 44.32	5,918	$ 378

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

Item 5. Other Information

During the quarter ended September 30, 2026, none of the Company's officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended ("Exchange Act") or directors adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Exchange Act).

Item 6. Exhibits

Exhibit Number	Description of Exhibits
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document *
101.SCH	Inline XBRL Taxonomy Extension Schema Document *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document *
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document *

SIGNATURES

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

Yum China Holdings, Inc.
(Registrant)

Date: November 5, 2026

/s/ Xueling Lu
Controller and Principal Accounting Officer

Exhibit 31.1

CERTIFICATION

I, Joey Wat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yum China Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2026

/s/ Joey Wat
Joey Wat
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Adrian Ding, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yum China Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2026

/s/ Adrian Ding
Adrian Ding
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Yum China Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Joey Wat, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026

/s/ Joey Wat
Joey Wat
Chief Executive Officer

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

Exhibit 32.2

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

In connection with the Quarterly Report of Yum China Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Adrian Ding, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026

/s/ Adrian Ding
Adrian Ding
Chief Financial Officer

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