Cautionary Statement on Forward-Looking Statements & Non-GAAP Measures

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “project,” “likely,” “will,” “continue,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements include, without limitation, statements regarding the future strategies, business plans, investment, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, and the expected impact of the COVID-19 outbreak, the anticipated effects of our innovation, digital and delivery capabilities on growth and beliefs regarding the long-term drivers of Yum China’s business. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and could cause our actual results or events to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or assumptions will be achieved. The forward-looking statements included in this presentation are only made as of the date of this presentation, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause our actual results or events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to achieve development goals at the times and in the amounts currently anticipated, if at all, the success of our marketing campaigns and product innovation, our ability to maintain food safety and quality control systems, the changes in public health conditions, including the COVID-19 outbreak, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China. 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 Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Management’s Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q) for additional detail about factors that could affect our financial and other results. This presentation includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this presentation where indicated. You are urged to consider carefully the comparable GAAP measures and reconciliations.
Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results
Yum China by the Numbers – a Powerful Business

#1 Western QSR & CDR brands in China

9,900+ stores in 1,400+ cities in China

25 logistics centers

NYSE listed with $18bn market cap

#361 Fortune 500 2020

265mn+ digital members of KFC and Pizza Hut

Note: Store, logistics center and member counts as of June 30, 2020; Market cap as of the close of June 30, 2020; Fortune 500 ranking in terms of sales.
Our Long-Term Strategy

SUSTAINABLE PLATFORM FOR GROWTH

YUM CHINA RESTAURANT BRAND PORTFOLIO

Western dining
- KFC
- 必胜客
- TACO BELL

Chinese dining
- 黄记煌
- 東方既白

Coffee
- COFFii & JOY
- LAVAZZA

ENABLED BY KEY PILLARS ACROSS BRANDS

DIGITAL DATA DELIVERY ECOSYSTEM

AND CROSS FUNCTIONAL CAPABILITIES

HR Development Supply Chain Operation Marketing IT Finance Legal Public Affairs

SUPPORTED BY FOUNDER’S MENTALITY CULTURE

POTENTIAL TO GROW TO 20,000 STORES OVER THE LONG TERM, >2X TODAY’S STORE BASE
全球最创新的
餐饮先锋

The World's Most Innovative Pioneer
In The Restaurant Industry
Digital Strategy: Connecting with Our Consumers

- Pizza Hut Member Program
- KFC Member Program
- Mobile Pre-order
- Mobile Tableside order
- Online Queuing
- Delivery
- E-gifting
- V-gold & Merchandise
- Privilege Program
- Book Kingdom
- K-Music
- K-Run
Digital Strategy: Driving Efficiency Across the Business

Yum China

Omni Channel Services
Data & AI Driven Marketing
Intelligent Supply Chain
Optimizing Labor Productivity

Customer

8
Yum China Investment Highlights

### Solid track record since spin-off
- 2.3 new stores opened per day \(^3\)

### Strong balance sheet & cash flow generation
- $1.66bn Cash and 2 short-term investments
- 7% CAGR\(^1\)
- 12% CAGR\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Free cashflow ($mn)</th>
<th>Total Revenue</th>
<th>Operating Profit</th>
<th>Free cashflow ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>469</td>
<td>$1.66bn</td>
<td>12%</td>
<td>469</td>
</tr>
<tr>
<td>2018</td>
<td>863</td>
<td></td>
<td></td>
<td>863</td>
</tr>
<tr>
<td>2019</td>
<td>750</td>
<td></td>
<td></td>
<td>750</td>
</tr>
</tbody>
</table>

### Track record of shareholder returns
- Dividends & Share repurchases ($mn)
- $361mn/year in 2017-2019 \(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends &amp; Share repurchases ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>166</td>
</tr>
<tr>
<td>2018</td>
<td>474</td>
</tr>
<tr>
<td>2019</td>
<td>442</td>
</tr>
</tbody>
</table>

### Responsible corporate
- DJSI: Top 5 in REX\(^4\) industry
- Bloomberg Gender-Equality Index (1 of 3 Chinese companies selected) for 2 years
- Named “Top Employer China” by the Top Employers Institute for 2 years

---

Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results
Solid Q2 Performance in Challenging Environment

- Revenue: $1.90 billion
- Operating Profit: $128 million
- Gross new stores: 169
- Total stores: 9,954
- New store cash payback periods:
  - ~2-3 years
  - ~3-5 years
- 99% stores open
- System sales at 96% of prior year*
- Same-store sales at 89% of prior year*
- Recovery was non-linear and uneven
- Delivery & takeaway: over half
- Digital order: ~80%
- From Members: 60%+
- Members: 265+ million

* Both stated in constant currency basis. System sales includes the consolidation of Huang Ji Huang from April 8, 2020.
## KFC: Resilient Business Model and Solid Execution

### Q2 2020 Highlights

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>System sales</td>
<td>-6%&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Same-store sales -10%&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transactions -20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average ticket +12%</td>
</tr>
<tr>
<td>Same-store sales</td>
<td>-10%&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Transactions</td>
<td>-20%</td>
<td></td>
</tr>
<tr>
<td>Average ticket</td>
<td>+12%</td>
<td></td>
</tr>
<tr>
<td>Restaurant margin</td>
<td>14.6%</td>
<td>14.6% -1.5 ppt y/y</td>
</tr>
<tr>
<td>Gross new stores</td>
<td>142</td>
<td>Operating profit of $159 million&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Menu innovation</td>
<td>~86%</td>
<td>Digital orders +23ppts y/y</td>
</tr>
<tr>
<td>Value promotions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday campaigns</td>
<td>~27%</td>
<td>Delivery sales +9ppts y/y</td>
</tr>
<tr>
<td>Digital marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>240+ million</td>
<td>Member sales: ~65%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Stated in constant currency basis.

<sup>2</sup> Segment Operating Profit before unallocated shared service costs.
Offered Great Value to Drive Traffic

<table>
<thead>
<tr>
<th>Crazy Thursday</th>
<th>Original Recipe Bucket</th>
<th>Combo at Half Price</th>
<th>Value Breakfast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer at ¥9.9/19.9: Chicken nuggets / bubble milk tea / spicy wing tips</td>
<td>Classic original recipe chicken bucket at half price</td>
<td>Members Only</td>
<td>For 5 weeks: Free breakfast items for new members; ¥6 combo</td>
</tr>
<tr>
<td><strong>Premium Burger</strong></td>
<td><strong>Plant-Based Nuggets</strong></td>
<td><strong>Tofu Pudding</strong></td>
<td><strong>K-Coffee</strong></td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------</td>
<td>-----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Messy cod fish &amp; chicken burger with 3-layer cheese</td>
<td>3-day pilot in select stores</td>
<td>Traditional street food for breakfast</td>
<td>Cross-over with Liushen floral water</td>
</tr>
</tbody>
</table>
Campaigns to Capture Weekend and Holiday Sales

<table>
<thead>
<tr>
<th>Labor Day</th>
<th>Children's Day</th>
<th>Dragon Boat Festival</th>
<th>Weekend Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1st bucket with big savings</td>
<td>¥149 combo with chocolate cake and Pokemon toy</td>
<td>Traditional festive food: Sticky Rice Dumpling</td>
<td>Members only, for selected items: Second piece for free</td>
</tr>
</tbody>
</table>
Digital Marketing to Capture Online Traffic and Increase Loyalty

<table>
<thead>
<tr>
<th>Capturing Online Traffic</th>
<th>Driving Member Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>618 promotions in Tmall and KFC app</td>
<td>Flexible privilege campaign:</td>
</tr>
<tr>
<td>Live Webcast in KFC app and Taobao</td>
<td>Discount on breakfast, delivery and 1 out of 3 other offers (coffee, afternoon tea &amp; dessert)</td>
</tr>
<tr>
<td>Q2 2020 Highlights</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>System sales -12%¹</td>
<td></td>
</tr>
<tr>
<td>Same-store sales -12%¹</td>
<td></td>
</tr>
<tr>
<td>Transactions -5%</td>
<td></td>
</tr>
<tr>
<td>Average ticket -7%</td>
<td></td>
</tr>
<tr>
<td>Restaurant margin 11.2% -0.1 ppt y/y</td>
<td></td>
</tr>
<tr>
<td>8 Gross new stores</td>
<td></td>
</tr>
<tr>
<td>116 remodels</td>
<td></td>
</tr>
<tr>
<td>Operating profit of $15 million²</td>
<td></td>
</tr>
</tbody>
</table>

- New menu
- Attractive value campaigns
- Drive Delivery & Takeaway
- One-person set meal
- Digital marketing

- ~61% Digital orders +31 ppts y/y
- ~35% Delivery sales +10 ppts y/y
- Members: 75+ million
- Member sales: ~53%

¹ Stated in constant currency basis.
² Segment Operating Profit before unallocated shared service costs.
Launched New Menu in June

Pizza Hut 30th Anniversary • Platinum Menu Launch

- Queen Burrata
- Thin Crust Pizza
- Durian Stuffed Crust Pizza
- Angus Steak Thick Cut
- Supreme Stuffed Crust Pizza
- Durian Stuffed Crust Pizza
- Crayfish and Steak Platter
- Australian Sirloin Pan Fried Rice
- Spicy Crayfish Pasta
- Durian Thin Crust Pizza
<table>
<thead>
<tr>
<th>Monday – Pizza</th>
<th>Tuesday – Durian</th>
<th>Wednesday - Steak</th>
<th>All-you-can-eat 5 Days Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>[周一]比萨日</td>
<td>[周二]榴莲日</td>
<td>[周三]牛人日</td>
<td></td>
</tr>
<tr>
<td>超级至尊芝心比萨</td>
<td>金枕榴莲多多芝心比萨</td>
<td>安格斯(ANGUS)厚切牛排</td>
<td></td>
</tr>
<tr>
<td>一整颗皇后云朵布拉塔芝士比萨</td>
<td>金枕榴莲多多薄脆大装比萨</td>
<td>炙烤澳洲西冷牛排铁锅饭</td>
<td></td>
</tr>
</tbody>
</table>

**Attractive Offer Targeting Different Needs**
<table>
<thead>
<tr>
<th>Expanded Occasions, Categories and Dayparts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-Person Meal/Takeaway</strong></td>
</tr>
<tr>
<td>30-day privilege at ¥18</td>
</tr>
<tr>
<td>Meal set from ¥19</td>
</tr>
<tr>
<td><strong>Ready-to-Cook Steak</strong></td>
</tr>
<tr>
<td>Australian Sirloin Steak for Delivery or Takeaway</td>
</tr>
<tr>
<td><strong>Plant-based Burger</strong></td>
</tr>
<tr>
<td>Beyond Burger and Australian Sirloin burger combo at ¥59</td>
</tr>
<tr>
<td><strong>Afternoon Tea</strong></td>
</tr>
<tr>
<td>Tea set for two</td>
</tr>
</tbody>
</table>
Enhanced Digital Experience Drove Online Traffic

- **Alipay Mini-Program**
- **618 Campaign**
- **Live Webcast**

**Delivery and takeaway**

**Partnership with JD**

35% off
Baked crayfish with cheese
Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results
348 Gross New Stores Opened in First Half, Mainly KFC

Gross new stores

Q2 19 Q2 20 Q2
164 178 169 367 415 348

Q2 YTD
128 136 142 272 327 307

Total stores

18 Q2 19 Q2 20 Q2
8,198 8,751 9,954

Q2 YTD
5,696 6,179 6,749

Note: Included Huang Ji Huang stores from 2020 Q2
Q2 Results Showing Sequential Improvement

**Sales Growth**

- System sales growth (%)
  - Q2: 10%, YTD: -4%
  - Q2: 5%, YTD: -13%

- Same-store sales growth (%)
  - Q2: 4%, Q2 YTD: -13%
  - Q2: 1%, Q2 YTD: -13%

**Profit Margin**

- Restaurant Margin (%)
  - Q2: 15.1%, YTD: 16.6%
  - Q2: 14.7%, YTD: 16.7%
  - Q2: 13.7%, YTD: 12.2%

**Net Income & EPS**

- Operating Profit (OP) ($ mn)
  - Q2: 193, 204, 128
  - Q2: 588, 507, 225

- Net Income (NI) ($ mn)
  - Q2: 143, 178, 132
  - Q2: 431, 400, 194

- Diluted EPS ($) (2018 YTD)
  - Q2: 0.36, 0.46, 0.34
  - Q2: 1.08, 1.03, 0.50

*Stated in constant currency basis.
Note: Included Huang Ji Huang from 2020 Q2
Productivity Improvement and Additional One-Time Relief Partially Offset Sales Deleverage

<table>
<thead>
<tr>
<th>Operating Profit ($ mn)</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>204</td>
<td>128</td>
</tr>
<tr>
<td>Adjusted</td>
<td>204</td>
<td>132</td>
</tr>
<tr>
<td>YoY</td>
<td>-38%</td>
<td>-36%</td>
</tr>
<tr>
<td>YoY ex F/X</td>
<td>-35%</td>
<td>-33%</td>
</tr>
<tr>
<td>YTD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>507</td>
<td>225</td>
</tr>
<tr>
<td>Adjusted</td>
<td>507</td>
<td>230</td>
</tr>
<tr>
<td>YoY</td>
<td>-56%</td>
<td>-55%</td>
</tr>
<tr>
<td>YoY ex F/X</td>
<td>-54%</td>
<td>-53%</td>
</tr>
</tbody>
</table>

Key Factors for Q2 Year-Over-Year Movement

- Sales deleverage impact from same-store sales decline
- Higher promotion costs
- Wage and commodity inflation
- Higher store impairment charges
- Labor productivity improvement
- Cost structure realignment
- One-time relief provided by landlords and government agencies

Note: See the appendix for a reconciliation to the adjusted measures
KFC Continued to Demonstrate Resilience

Sales Growth¹ (%)

System sales growth

- Q2: 12%, 7%, 5%
- YTD: 12%, 12%, 7%

Same-store sales growth

- Q2: 5%, 3%, 0%
- YTD: 5%, 5%, 3%

Restaurant Margin (%)

- Q2: 16.8%, 16.1%, 14.6%
- YTD: 18.9%, 18.1%, 14.1%

Operating Profit² ($ mn)

- Q2: 495, 493, 312
- YTD: 5% 7% 2019 2020 2018

¹ Stated in constant currency basis.
² Segment Operating Profit before unallocated shared service costs.
Pizza Hut Improved Sales and Margin vs Q1

**Sales Growth**

- **System sales growth**
  - Q2: -1% 4%
  - YTD: -12% 3%

- **Same-store sales growth**
  - Q2: -4% 1%
  - YTD: -12% -5%

**Restaurant Margin (%)**

- Q2:
  - 2018: 11.1%
  - 2019: 11.3%
  - 2020: 11.2%

- YTD:
  - 2018: 12.9%
  - 2019: 10.8%
  - 2020: 6.4%

**Operating Profit ($ mn)**

- Q2:
  - 2018: 19
  - 2019: 29
  - 2020: -13

- YTD:
  - 2018: 53
  - 2019: 79
  - 2020: -4%

---

1. Stated in constant currency basis.
2. Segment Operating Profit before unallocated shared service costs.
Membership and Digital Order Grew in Popularity

**Members (mn)**

- 17 YE: 110+
- 18 YE: 160+
- 19 YE: 215+
- 20 Q2: 240+

**Member Sales**

- 17 Q2: 33%
- 18 Q2: 45%
- 19 Q2: 54%
- 20 Q2: 65%

**Digital Order**

- 17 YE: 35+
- 18 YE: 50+
- 19 YE: 70+
- 20 Q2: 75+

- 17 Q2: 6%
- 18 Q2: 46%
- 19 Q2: 47%
- 20 Q2: 53%

- 19 Q2: 29%
- 20 Q2: 61%
**Delivery and Takeaway Increased Year-over-Year**

**Delivery Sales**
- 2017: 12%
- 2018: 15%
- 2019: 19%
- 2019 Q1: 32%
- 2019 Q2: 27%

**Takeaway Sales**
- 2019: ~28%
- 20 Q1: ~39%
- 20 Q2: ~32%

**Delivery Coverage**
- 2019 Q2: 76%
- 2020 Q2: 83%
- Store coverage: 93%
- City coverage: 97%

**Other**
- 2017: 20%
- 2018: 24%
- 2019: 25%
- 2019 Q1: 48%
- 2019 Q2: 35%
- 2019 Q1: ~5%
- 2019 Q2: ~11%
- 2020 Q1: ~11%
- 2020 Q2: ~11%
- Store coverage: 93%
- City coverage: 94%
- Store coverage: 97%
- City coverage: 99%

Note: Delivery as % of Company sales include KFC Wuxi since 2018.
Continued Penetrating into Lower Tiers with Healthy Return

**Lower Tier Penetration**
- **Store Mix in Tier 3-6**
  - All Stores
  - YTD Gross New Openings
  - KFC: 56% (Tier 1-2) 41% (Tier 3-6)
  - Pizza Hut: 61% (Tier 1-2) 53% (Tier 3-6)

**Drive New Unit Return**
- Tier 1-2: ~2-3 yrs
  - KFC
  - Pizza Hut
- Tier 3-6: ~2 yrs
  - KFC
  - Pizza Hut

**Remodel**
- YUMC: 238
- 19 Q2: 78
- 20 Q2: 194

---

1 Refers to Average Pre-tax Cash Payback Period; Includes units opened from April 2018 to March 2019, after deduction of 3% license fee.
**Continued to Take Cautious Actions Despite Strong Balance Sheet**

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term investments</td>
<td>$1.71 bn</td>
<td>$1.58 bn</td>
</tr>
<tr>
<td>As of June 30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>$452 mn</td>
<td>$657 mn</td>
</tr>
<tr>
<td>Jan-Jun</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free cash flow from operations</td>
<td>$267 mn</td>
<td>$445 mn</td>
</tr>
<tr>
<td>Jan-Jun</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Dividends
- Since spin-off: $426 mn
- 20 Q2: -

### Share Repurchases
- Since spin-off: $708 mn
- 20 Q2: -

#### Quarterly Cash Dividend per Share ($)
- 17’Q4-18’Q3: 0.10
- 18’Q4-20’Q1: 0.12

<table>
<thead>
<tr>
<th>Total Program ($ mn)</th>
<th>Authorization</th>
<th>Used</th>
<th>Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,400</td>
<td>708</td>
<td>692</td>
</tr>
</tbody>
</table>

The Company temporarily suspended share repurchases and, through the end of third quarter of 2020, cash dividends.

Note: Free cash flow is net operating cash flow less capital spending of $185 million in 2020 first half and $212 million in 2019 first half.
2020 Outlook and Strategic Priorities

**2020 FINANCIAL TARGETS**

- 800-850 gross new units, excluding Huang Ji Huang
- $500-550 million Capex
- Targets subject to revision based on how the COVID-19 situation evolves

**STRATEGIC PRIORITIES**

- Top priority is to safeguard the health and safety of our employees and customers
- Drive innovation across the business and adapt to the fluid situations
- Leverage digital infrastructure and member base to drive frequency and ticket average
- Further capture delivery and takeaway demand
- Vigilant cost management and efficiency improvement
- Invest in key growth opportunities including new stores, digital, supply chain and technology capabilities
Appendix: Reconciliation of Reported Results to Non-GAAP Measures

(a) Amounts presented as of and for the quarters and years to date ended June 30, 2020 and 2019 are unaudited.

(b) In the quarter ended June 30, 2020, the Company derecognized $3 million indemnification asset previously recorded for Daojia acquisition as the indemnification right expired pursuant to the purchase agreement. The amount was included in Other income, net, as a deduction item, but was not allocated to any segment for performance reporting purposes.

(c) In February 2020, the Company granted Partner PSU Awards to select employees who were deemed critical to the Company’s performance. Partner PSU Awards were granted to address increased competition for executive talent, motivate transformational performance and encourage management retention. Given the unique nature of these grants, the Compensation Committee does not intend to grant similar, special grants during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company’s performance. The Company recognized share-based compensation cost of $1 million and $2 million associated with the Partner PSU Awards for the quarter and year to date ended June 30, 2020, respectively.

(d) The tax expense was determined based upon the nature, as well as the jurisdiction, of each Special Item at the applicable tax rate.

(e) We completed the evaluation of the impact on our transition tax computation based on the final regulations released by the U.S. Treasury Department and the U.S. Internal Revenue Service became effective in the first quarter of 2019, and recorded an additional tax expense of $8 million for the transition tax accordingly.

<table>
<thead>
<tr>
<th>Detail of Special Items</th>
<th>6/30/2020</th>
<th>6/30/2019</th>
<th>6/30/2020</th>
<th>6/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derecognition of indemnification assets related to Daojia</td>
<td>$(3)</td>
<td>$—</td>
<td>$(3)</td>
<td>$—</td>
</tr>
<tr>
<td>Share-based compensation expense for Partner PSU awards</td>
<td>$(1)</td>
<td>$—</td>
<td>$(2)</td>
<td>$—</td>
</tr>
<tr>
<td>Special Items, Operating Profit</td>
<td>$(4)</td>
<td>$—</td>
<td>$(5)</td>
<td>$—</td>
</tr>
<tr>
<td>Tax effect on Special Items</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Impact from the Tax Act</td>
<td>$(8)</td>
<td>$—</td>
<td>$(8)</td>
<td>$—</td>
</tr>
<tr>
<td>Special items, net income – including noncontrolling interests</td>
<td>$(4)</td>
<td>$—</td>
<td>$(5)</td>
<td>$(8)</td>
</tr>
<tr>
<td>Special items, net income – noncontrolling interests</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Special Items, Net Income - Yum China Holdings, Inc.</td>
<td>$(4)</td>
<td>$—</td>
<td>$(5)</td>
<td>$(8)</td>
</tr>
<tr>
<td>Weighted Average Diluted Shares Outstanding (in millions)</td>
<td>389</td>
<td>389</td>
<td>387</td>
<td>389</td>
</tr>
<tr>
<td>Special Items, Diluted Earnings Per Common Share</td>
<td>$(0.01)</td>
<td>$—</td>
<td>$(0.01)</td>
<td>$(0.02)</td>
</tr>
</tbody>
</table>

Non-GAAP Reconciliations

Reconciliation of Operating Profit to Adjusted Operating Profit

<table>
<thead>
<tr>
<th>Description</th>
<th>Operating Profit</th>
<th>Special Items, Operating Profit</th>
<th>Adjusted Operating Profit</th>
<th>Net Income – Yum China Holdings, Inc.</th>
<th>Special Items, Net Income - Yum China Holdings, Inc.</th>
<th>Adjusted Net Income – Yum China Holdings, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>$128</td>
<td>$—</td>
<td>$132</td>
<td>$132</td>
<td>$132</td>
<td>$132</td>
</tr>
<tr>
<td>Special Items, Operating Profit</td>
<td>$(4)</td>
<td>$—</td>
<td>$(5)</td>
<td>$(5)</td>
<td>$(5)</td>
<td>$(5)</td>
</tr>
<tr>
<td>Adjusted Operating Profit</td>
<td>$132</td>
<td>$—</td>
<td>$137</td>
<td>$137</td>
<td>$137</td>
<td>$137</td>
</tr>
</tbody>
</table>

Reconciliation of Net Income to Adjusted Net Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Basic Earnings Per Common Share</th>
<th>Special Items, Basic Earnings Per Common Share</th>
<th>Adjusted Basic Earnings Per Common Share</th>
<th>Diluted Earnings Per Common Share</th>
<th>Special Items, Diluted Earnings Per Common Share</th>
<th>Adjusted Diluted Earnings Per Common Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Earnings Per Common Share</td>
<td>$0.35</td>
<td>$—</td>
<td>$0.35</td>
<td>$0.35</td>
<td>$0.35</td>
<td>$0.35</td>
</tr>
<tr>
<td>Special Items, Basic Earnings Per Common Share</td>
<td>$(0.01)</td>
<td>$—</td>
<td>$(0.02)</td>
<td>$(0.02)</td>
<td>$(0.02)</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>Adjusted Basic Earnings Per Common Share</td>
<td>$0.34</td>
<td>$—</td>
<td>$0.34</td>
<td>$0.34</td>
<td>$0.34</td>
<td>$0.34</td>
</tr>
<tr>
<td>Diluted Earnings Per Common Share</td>
<td>$0.34</td>
<td>$—</td>
<td>$0.34</td>
<td>$0.34</td>
<td>$0.34</td>
<td>$0.34</td>
</tr>
<tr>
<td>Special Items, Diluted Earnings Per Common Share</td>
<td>$(0.01)</td>
<td>$—</td>
<td>$(0.01)</td>
<td>$(0.01)</td>
<td>$(0.01)</td>
<td>$(0.01)</td>
</tr>
<tr>
<td>Adjusted Diluted Earnings Per Common Share</td>
<td>$0.33</td>
<td>$—</td>
<td>$0.33</td>
<td>$0.33</td>
<td>$0.33</td>
<td>$0.33</td>
</tr>
</tbody>
</table>

Reconciliation of EPS to Adjusted EPS

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective tax rate</th>
<th>Impact on effective tax rate as a result of Special Items</th>
<th>Adjusted effective tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective tax rate</td>
<td>25.2%</td>
<td>20.0%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Impact on effective tax rate as a result of Special Items</td>
<td>0.6%</td>
<td>—</td>
<td>0.5%</td>
</tr>
<tr>
<td>Adjusted effective tax rate</td>
<td>25.8%</td>
<td>20.5%</td>
<td>27.3%</td>
</tr>
</tbody>
</table>