



**3rd Annual
Yum! China
Conference**

Tim Jerzyk Senior Vice President



Information herein as of July 11, 2007


This presentation will include forward-looking statements that reflect management's expectations based on currently available data. However, actual results are subject to future events and uncertainties. The information in the presentation related to projections or other forward-looking statements may be relied on subject to the safe harbor statement posted on our Web site: www.yum.com.



No Duty to Update

The information in this presentation is current as of July 11, 2007. While the presentation remains on the company's Web site, the company assumes no duty to update the information to reflect subsequent developments. Consequently, the company will not update the information contained in the presentation, and investors should not rely on the information as current or accurate after October 8, 2007.





Build Dominant Brands in China

Sam Su **President Yum! China**

#1 Yum Strategy

**Build Dominant
CHINA
Brands**

Drive PROFITABLE
International
Expansion

Improve
U.S. Brand Positions
& Returns

Drive High ROIC &
Strong Shareholder
Payout

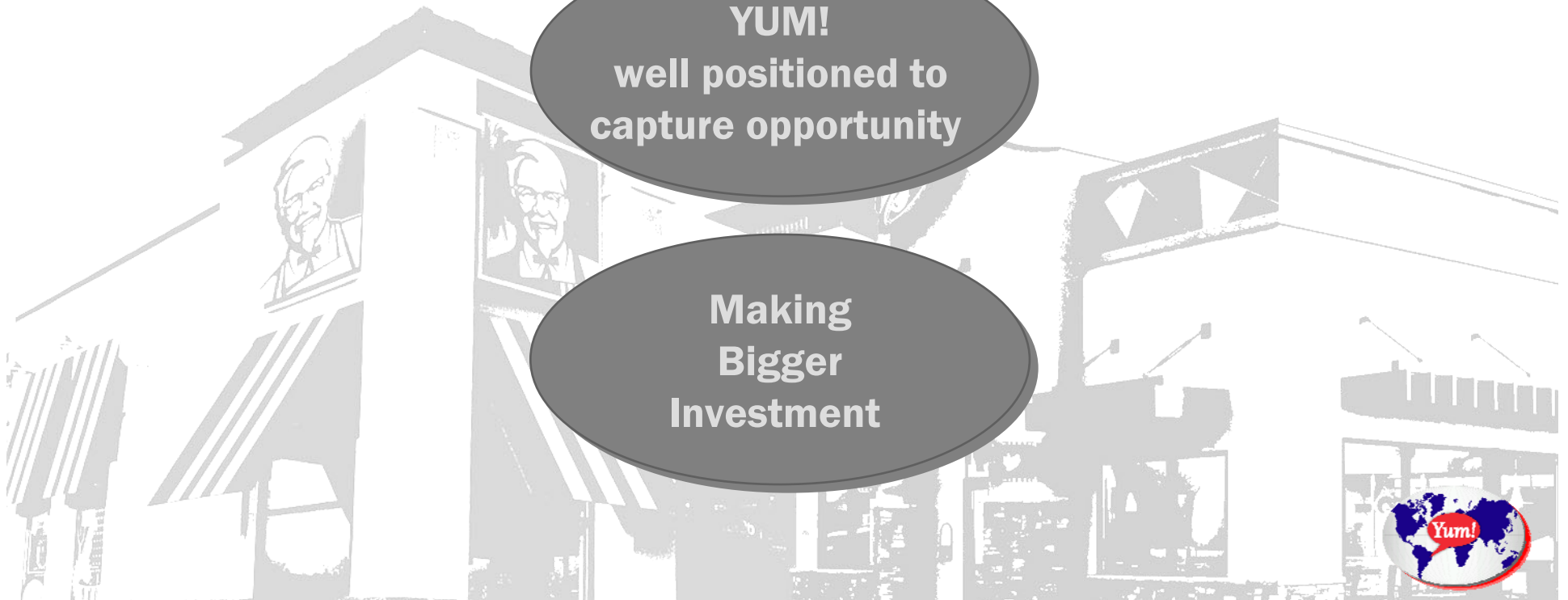




**Huge
Restaurant
Opportunity**

**YUM!
well positioned to
capture opportunity**

**Making
Bigger
Investment**



A Huge Opportunity

— Best Growth Market of 21st Century —

**China's Urban Consumers:
~ 500 million**

YUM! U.S.A.

**U.S. Population:
300 million**

YUM! CHINA



Biggest Growth Opportunity for Restaurant Industry in 21st Century

- Double-digit GDP/Personal income growth last 4 years**
- Over 18 million people enter cities each year**
- Restaurant chain market share < 3%**
U.S. Chain Brands = 60% of U.S. QSR market
- High purchase intent for Western brands**



Big Opportunity Deserves a Big Goal

***“To become
the best restaurant company
not only in China but the world”***

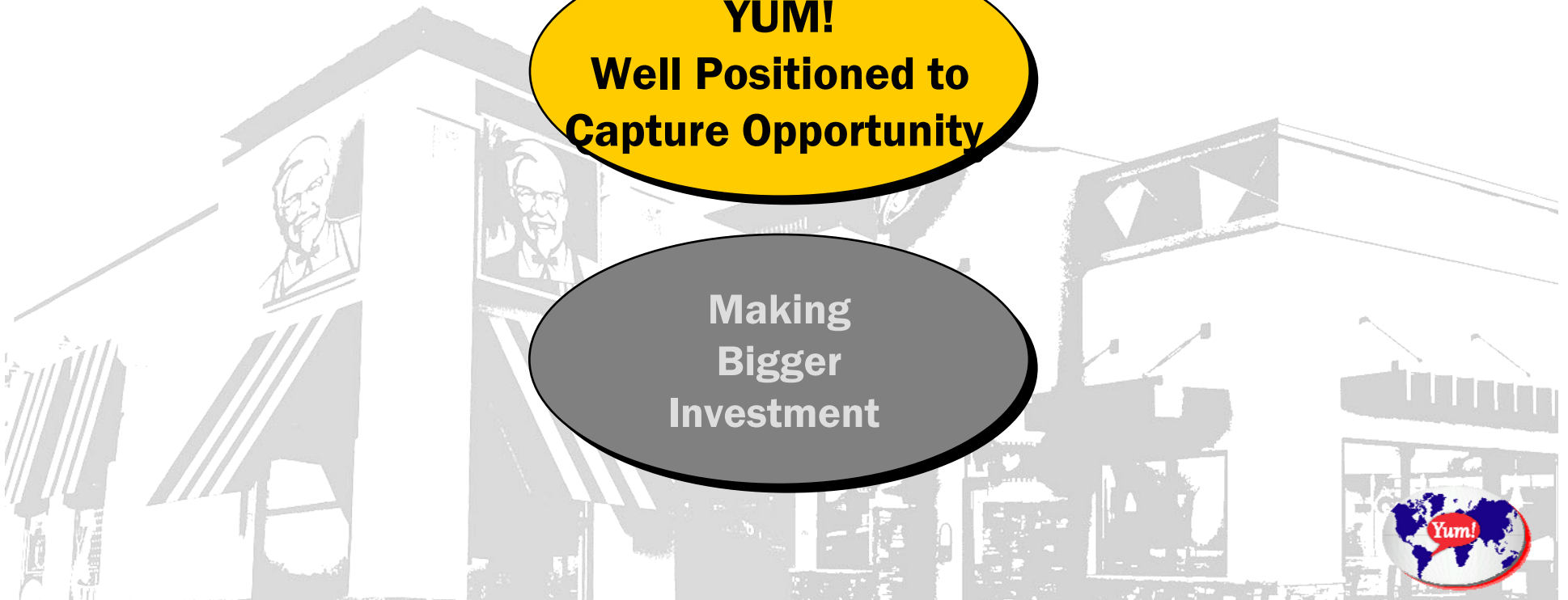




Huge
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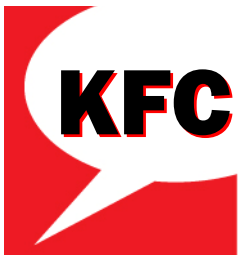


Yum! Well Positioned to Capture Opportunity



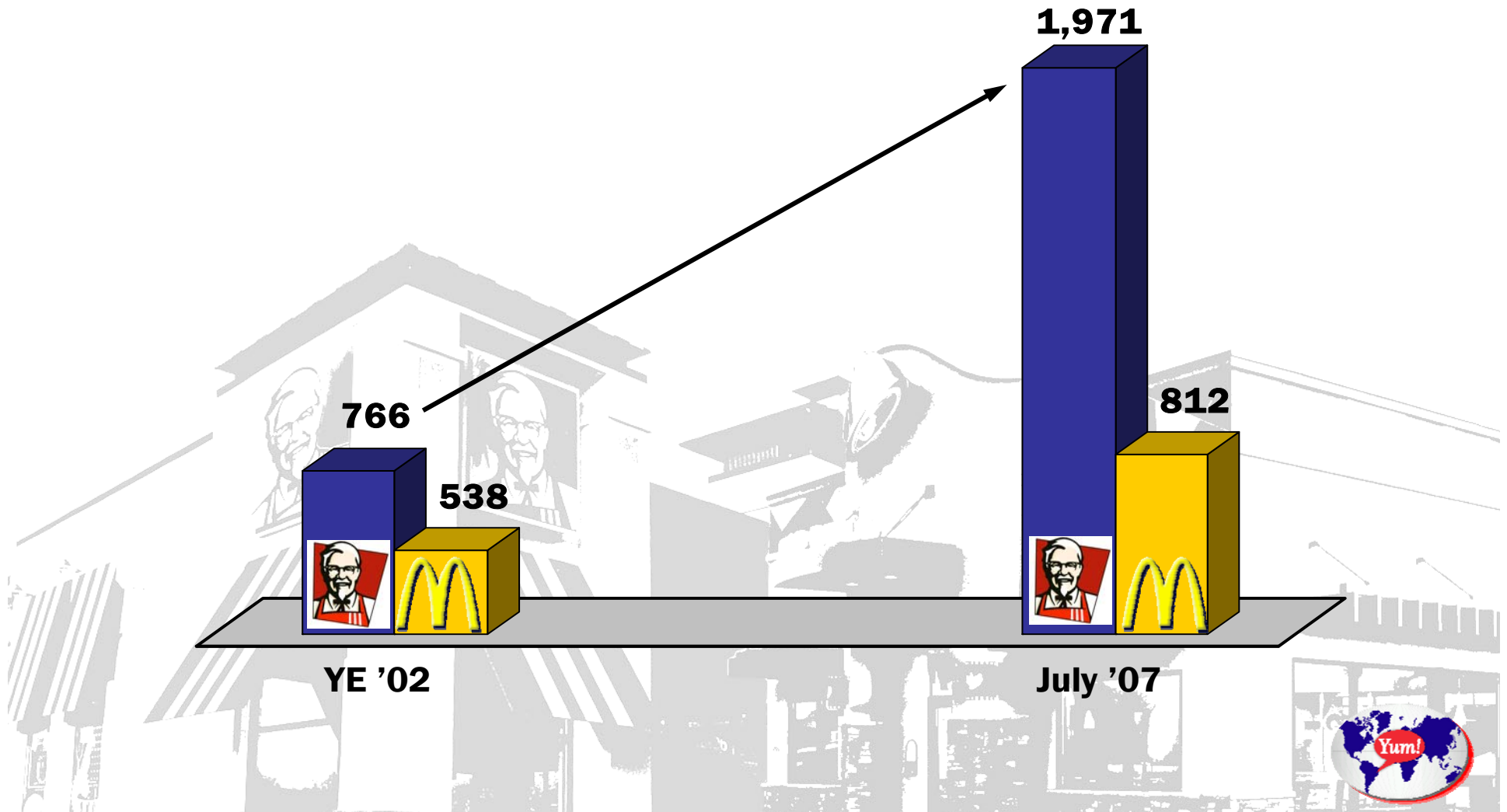
- KFC leading QSR brand by wide margin**
- In over 420 cities**
- Reach & frequency at all time high, yet plenty room for growth**
- Looking to increase brand development rate**
- KFC as well positioned in China as McDonald's was in the U.S.**
- Strong unit economics enable expansion**





KFC Continues to Widen the Gap in China

Year-End Restaurants – Mainland China



Yum! Well Positioned to Capture Opportunity



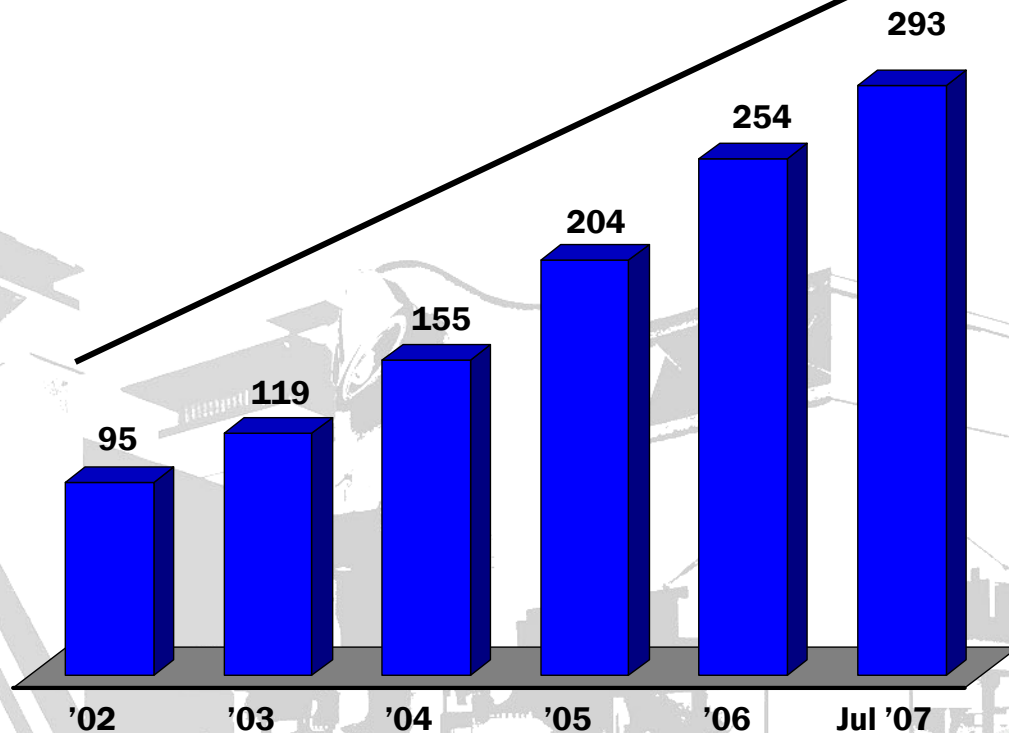
- Pizza Hut leading brand in casual dining segment
- No significant competition
- In over 60 cities
- Developing at rapid pace . . .
Up +30% this year on a scale of 250+
- Highly profitable business
- Biggest consumer issue is our “wait times” at dinner



Explosive Growth for Pizza Hut Casual Dining



Dine-In Restaurants

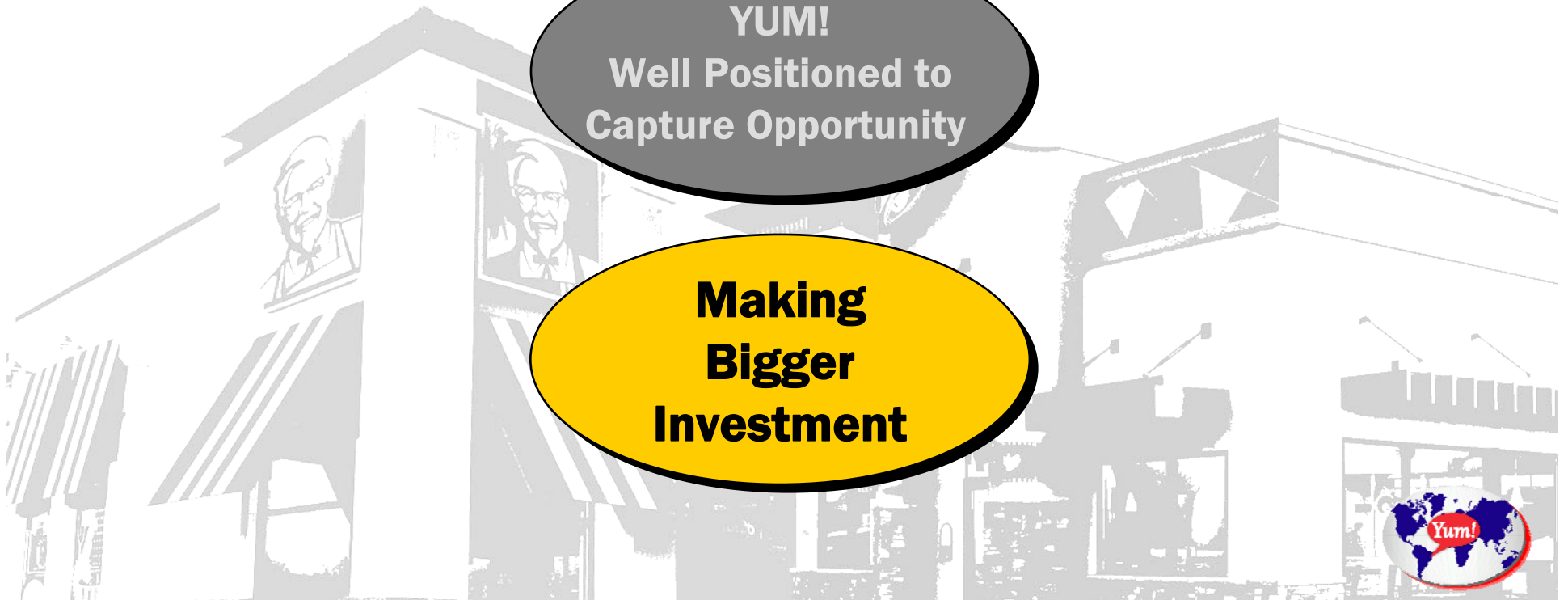




Huge
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YUM!
Well Positioned to
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**Making
Bigger
Investment**



Investing More in Our Future

- ❑ Extend established brands



- ❑ Develop new, category-leading brands



東方既白

- ❑ Invest in infrastructure and support capability



Expand KFC Even Further



QSR Leadership

- Innovation in chicken**
- Second protein**
- Breakfast daypart**
- New asset types beyond traditional**
- More cities**
 - Cities with no Western competition**

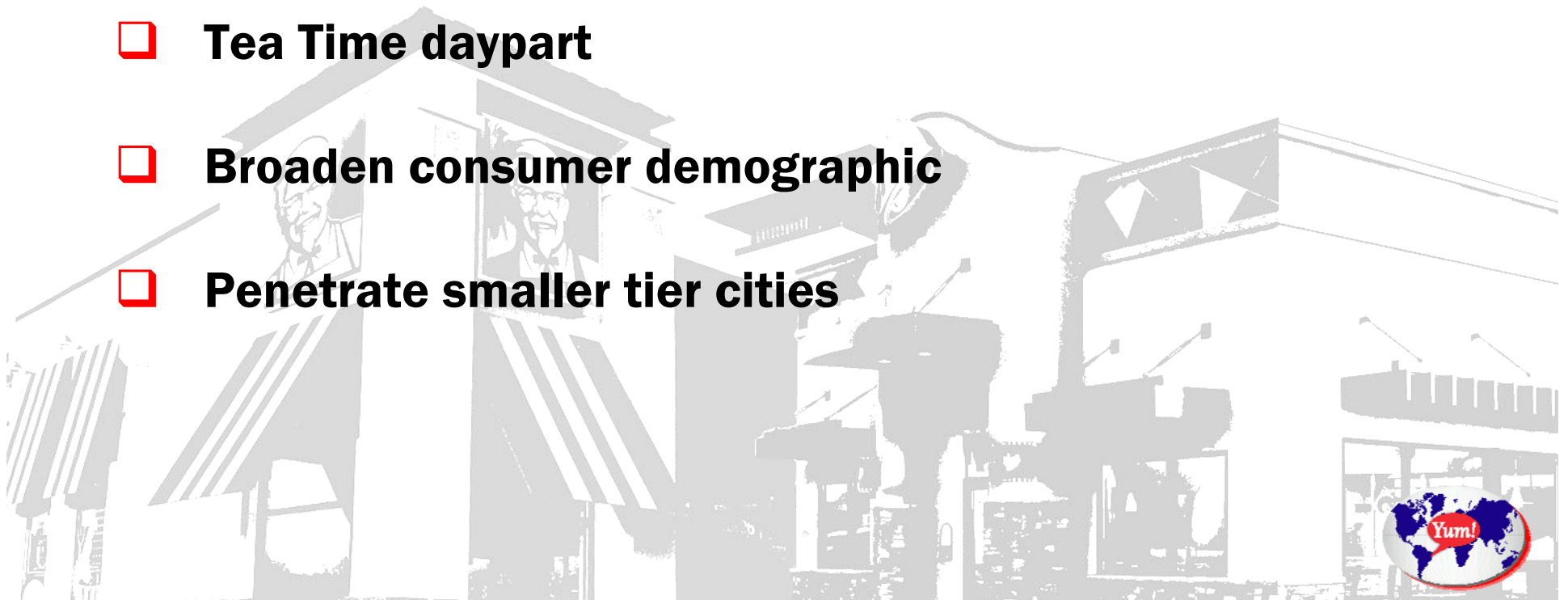


Expand Pizza Hut Casual Dining Offerings



Casual Dining Leadership

- Menu innovation, in pizza and beyond
- Tea Time daypart
- Broaden consumer demographic
- Penetrate smaller tier cities

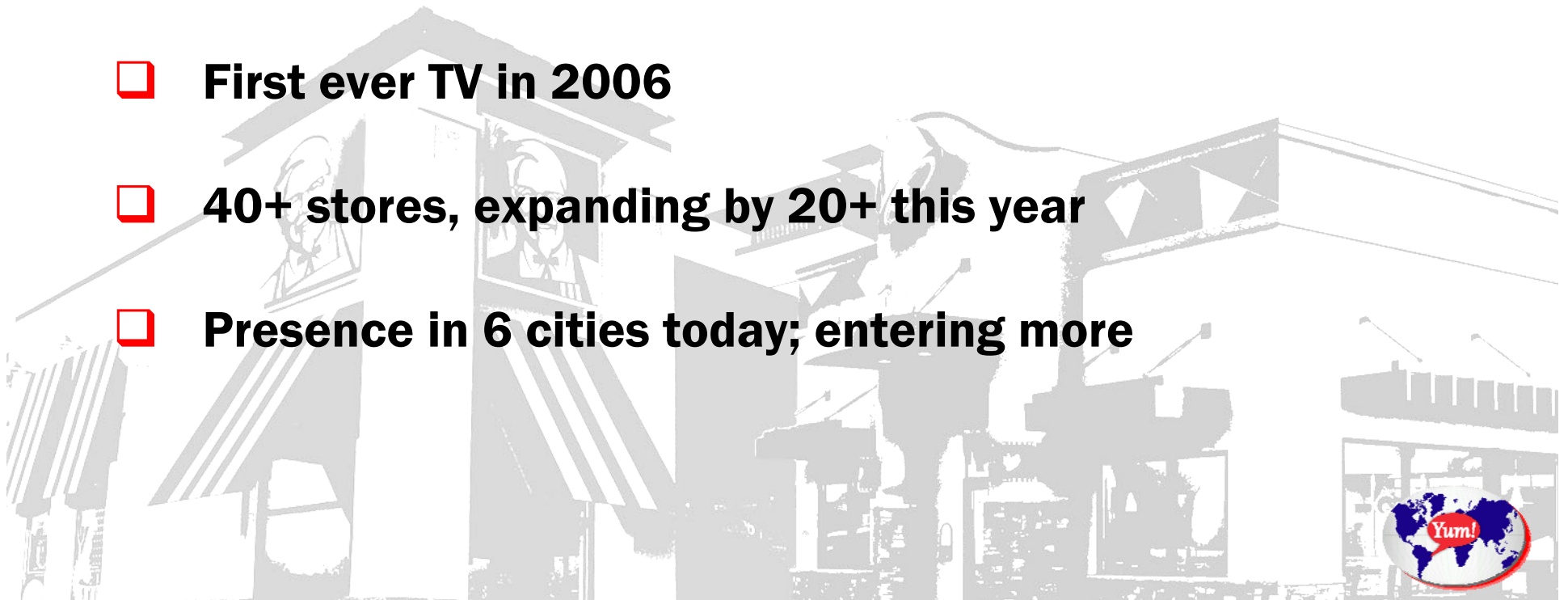


Pizza Hut Home Delivery Ready for Expansion



Home Delivery Category

- Built Pizza Home Service category in Shanghai**
- First ever TV in 2006**
- 40+ stores, expanding by 20+ this year**
- Presence in 6 cities today; entering more**



East Dawning: Chinese Fast Food

東方既白

Creating Chinese
Fast Food Brand

- ❑ 8 stores, expanding by 5+ this year
- ❑ Moving beyond Shanghai



Building YUM! China

**Increasing Our Investment
In the Biggest Growth Market Opportunity of 21st Century**



Investing Even More in Infrastructure and Capability

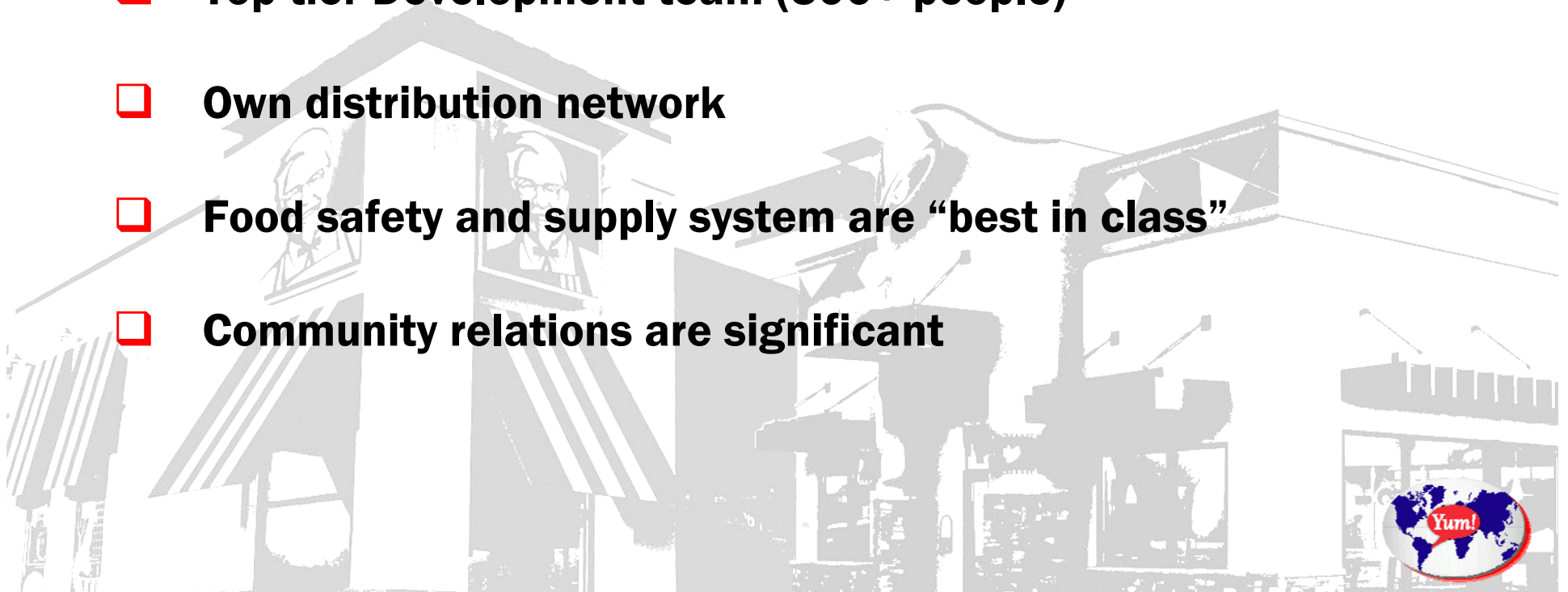
- Further strengthen supply and logistics capability
- Manufacturing where it makes sense
- Multiple national call centers
- Development capability for more brands in more cities

Ultimate payoff: Expanded portfolio of category-leading, high-return brands



Sustainable Competitive Advantages

- ❑ 20 years in mainland China, first in market
- ❑ Talented, tenured team . . . on the ground in Shanghai
- ❑ Top-tier Development team (500+ people)
- ❑ Own distribution network
- ❑ Food safety and supply system are “best in class”
- ❑ Community relations are significant

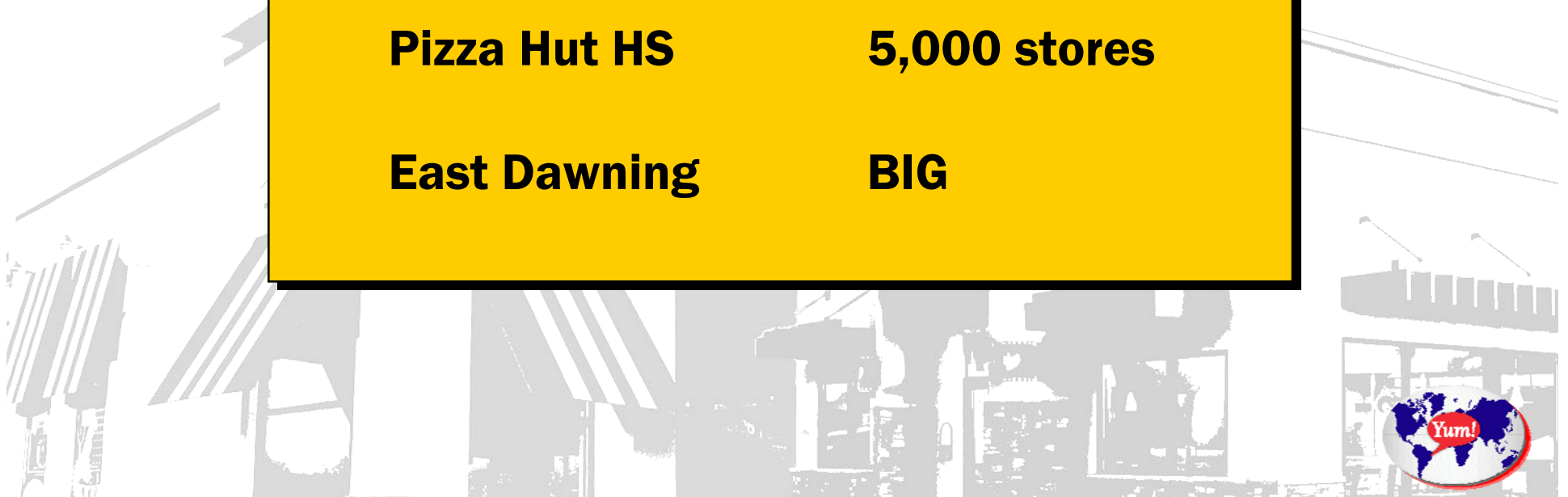




Yum! China → A Ground-Floor Opportunity

Long-Term Objective

KFC	15,000 stores
Pizza Hut CD	2,000 stores
Pizza Hut HS	5,000 stores
East Dawning	BIG





Building Big Brands

Angela Loh Chief Marketing Officer

Unique Approach to Brand Building



Pizza Hut



東方既白

East Dawning



Category Leaders



#1 QSR



“Life is tastier with KFC”

AUV = \$1.2 million



#1 Casual Dining



“Happy Moments at Pizza Hut”

AUV = \$1.2 million



KFC's Positioning: New QSR for Chinese Consumer

Traditional QSR

- Core QSR strengths QSCV
- Focus on few products to generate volume
- Focus on product consistency (industrialize)
- Value drivers ("up size")
- *Eat lots of same product frequently*

New QSR

- Maintain the core (QSCV)
- Offer variety
- Focus on product taste
- Offer balanced choices
- Encourage balanced meals & regular exercise
- *Educate consumer on healthy life-style*



Building a Big Brand at KFC



**Community
Involvement**

In-Store Experience

**Menu
Designed for Broad Appeal**

**Rooted in China
Integrated into Their Life**



Building a Big Brand at KFC



**Community
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Integrated into Their Life**



KFC Menu Design Strategy

- KFC is the chicken expert, but not chicken only**
- Different cooking platform to enhance variety**
- Meaningful side items to support balanced choices**
- Relevant menu for different daypart/occasion**
- Product Innovation adapted to local taste**



Building a Big Brand at KFC



**Community
Involvement**

In-Store Experience

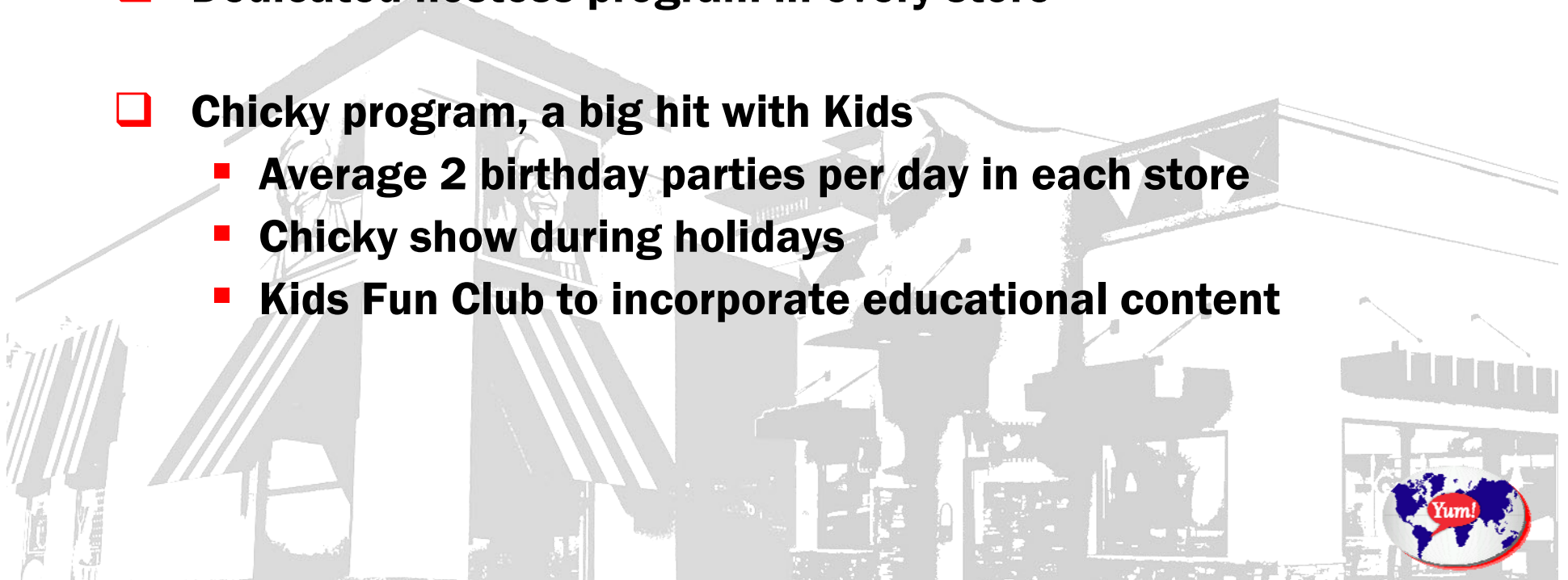
**Menu
Designed for Broad Appeal**

**Rooted in China
Integrated into Their Life**



A Step Ahead on In-Store Experience

- Passionate crew brings Customer Mania to life**
- Up-to-date interior design**
- Dedicated hostess program in every store**
- Chicky program, a big hit with Kids**
 - Average 2 birthday parties per day in each store**
 - Chicky show during holidays**
 - Kids Fun Club to incorporate educational content**



Building a Big Brand at KFC



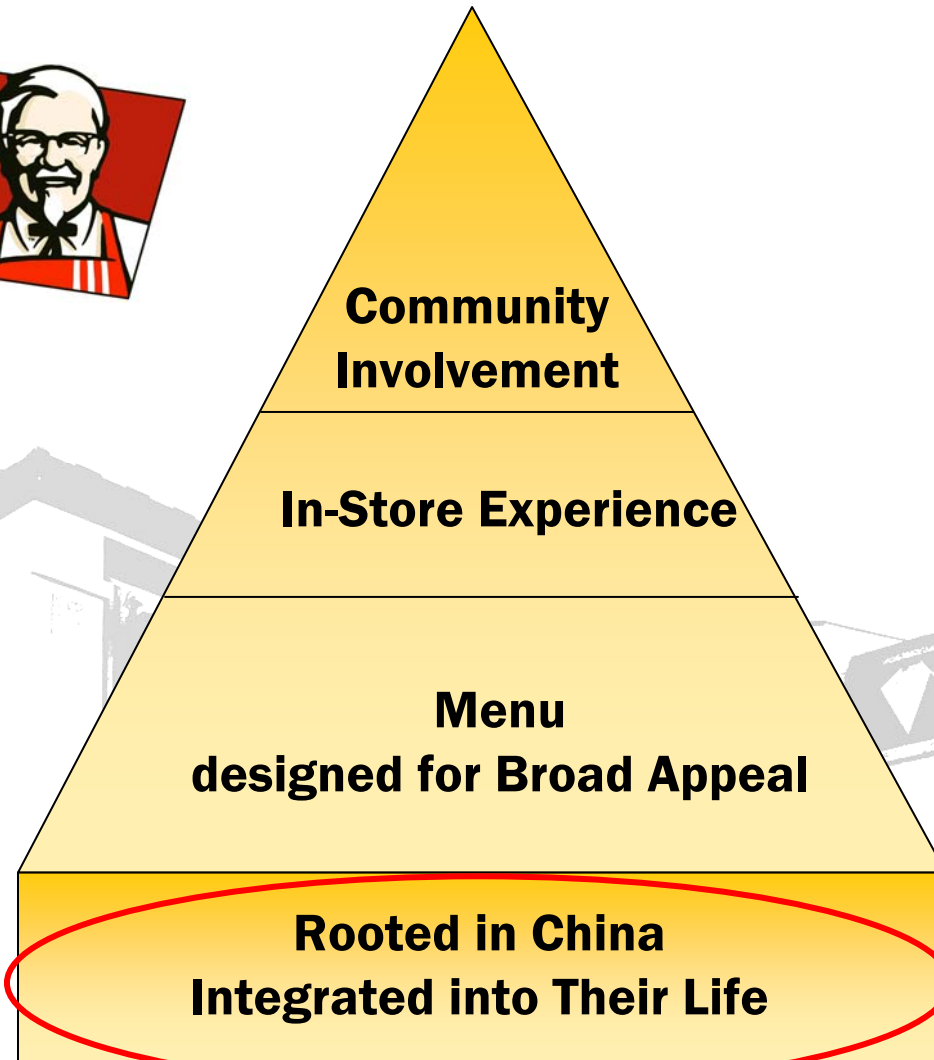
Community Involvement, Not Gimmicks

- ❑ **Hostess as our “community ambassador”**
 - **Chicky school program**
 - **Community events / Festival celebration**
 - **3 on 3 basketball tournament**

- ❑ **Charity program is a critical part of brand building**
 - **Support of “Project Hope”**
 - **First Light Foundation**



Building a Big Brand at KFC



KFC Brand has Emerged Stronger than Ever

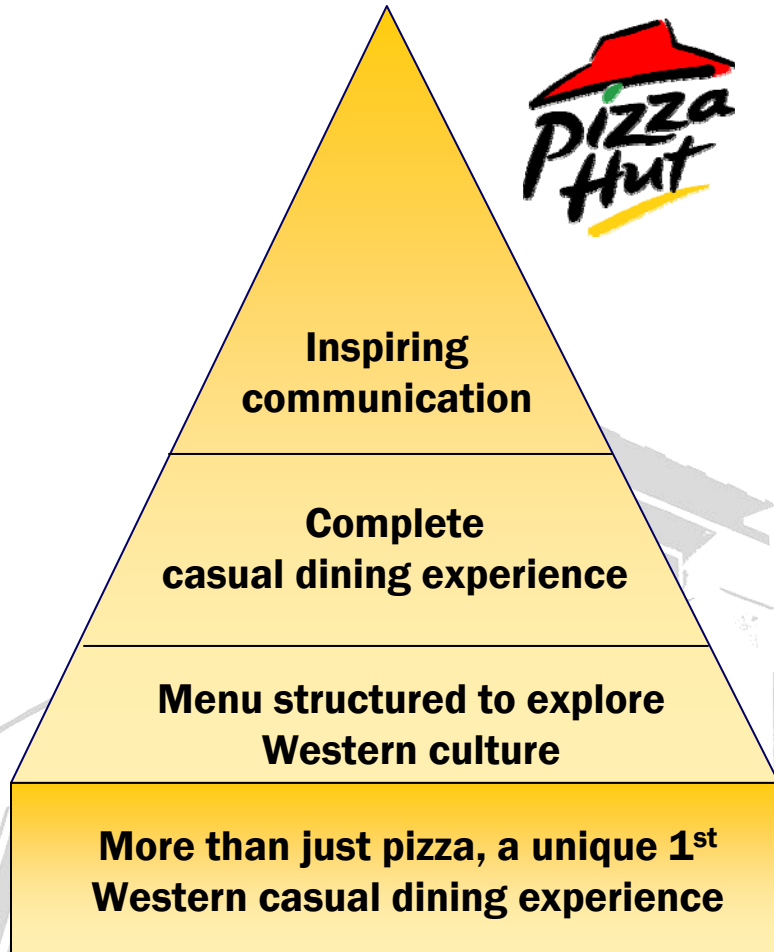
How We Did It

- Development capability helped penetration**
- Strong belief in product innovation**
- World class operation to support new sales layer**
- (Breakfast, Roast Platform)**
- Robust local store marketing (LSM) resource**
- (Over 80 LSM coordinators / 7,500 hostesses in the field)**
- New success in youth segment**

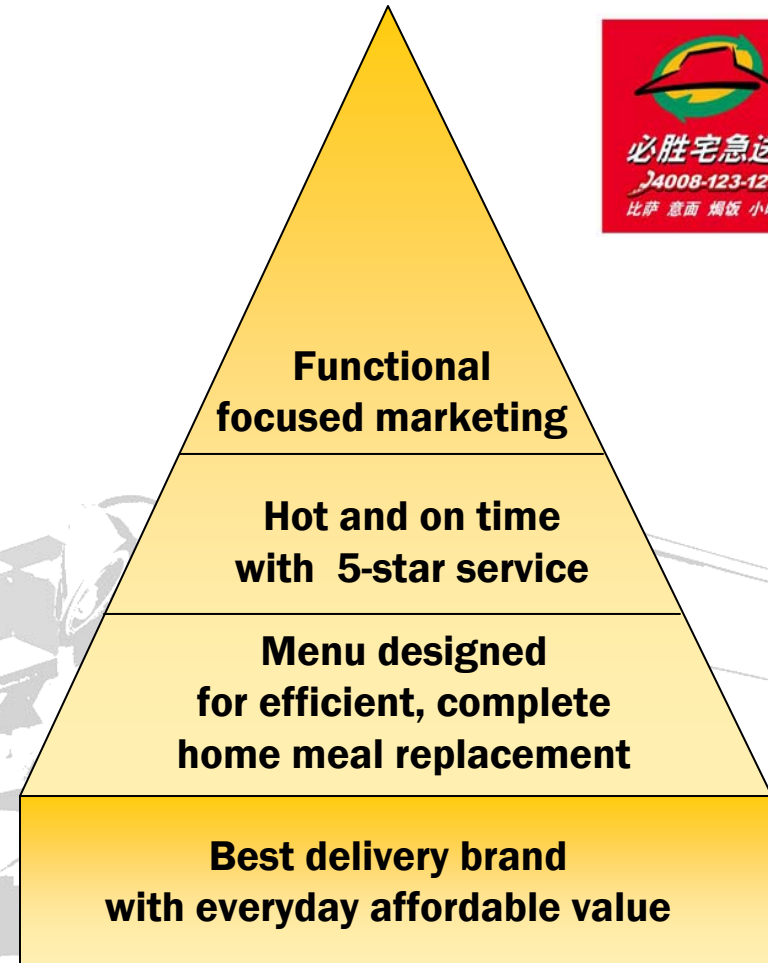


Pizza Hut, Dual Channels Brand Building

Casual Dining Brand



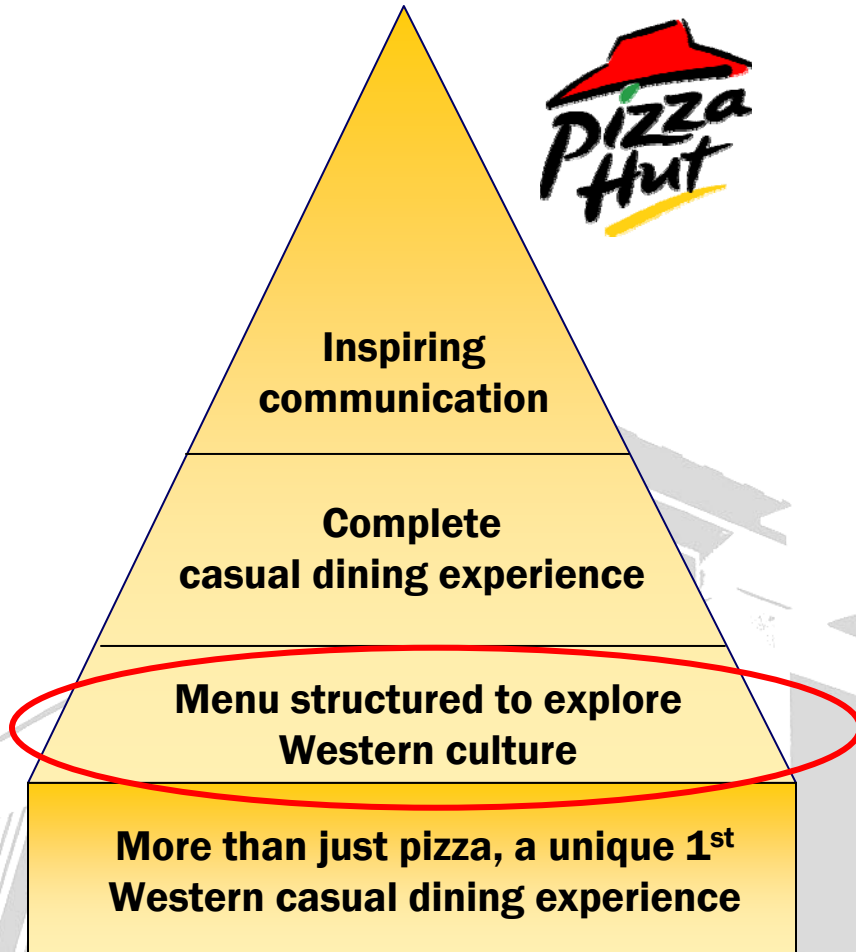
Home Delivery Brand



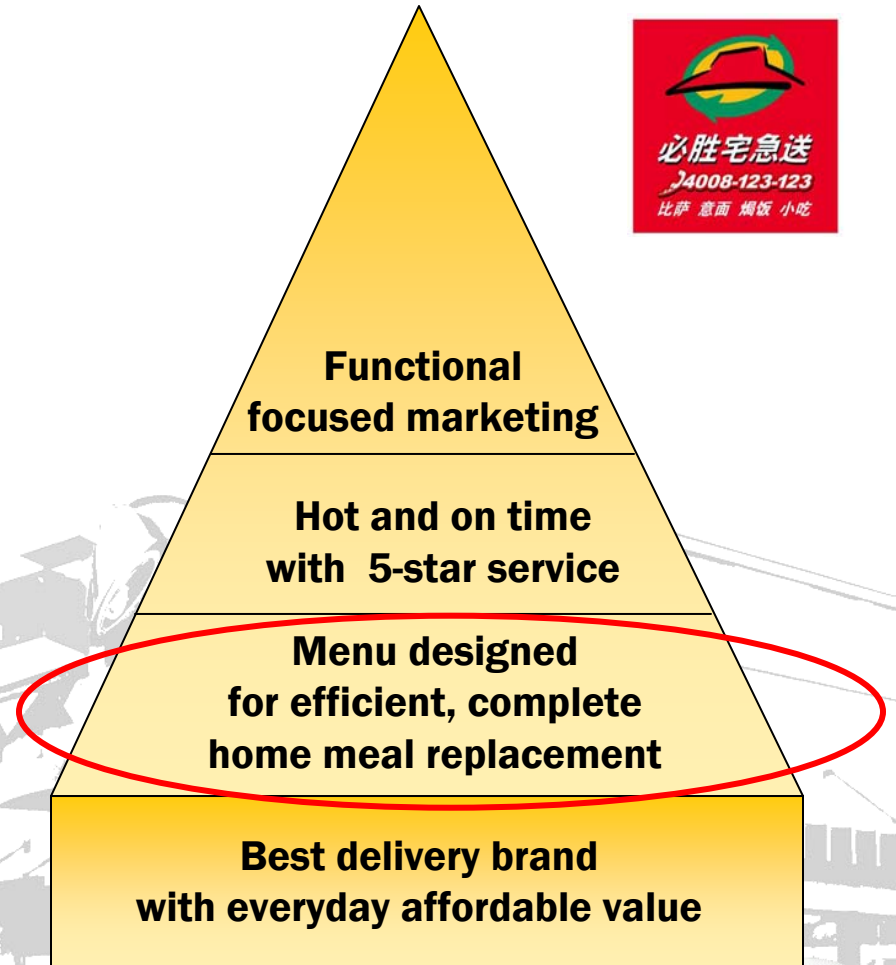


Pizza Hut, Dual Channels Brand Building

Casual Dining Brand



Home Delivery Brand



Pizza Hut Menu Strategy

Casual Dining Brand

- Pan, stuff crust and thin & crispy dough**
- Complete Casual Dining experience (appetizer, soup, salad, drinks & dessert)**
- Exotic & interesting**

Home Delivery Brand

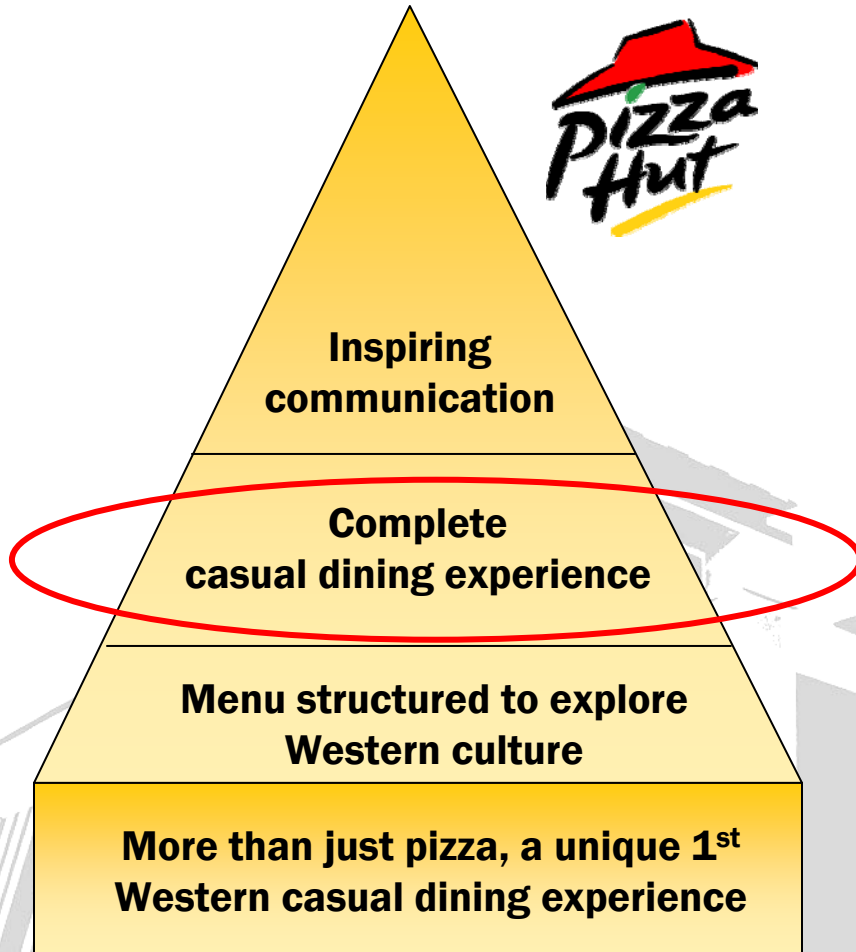
- New traditional dough, fast bake**
- Risotto & pasta line to enhance varieties**
- Appetizer, soup, salad and dessert make meal complete**



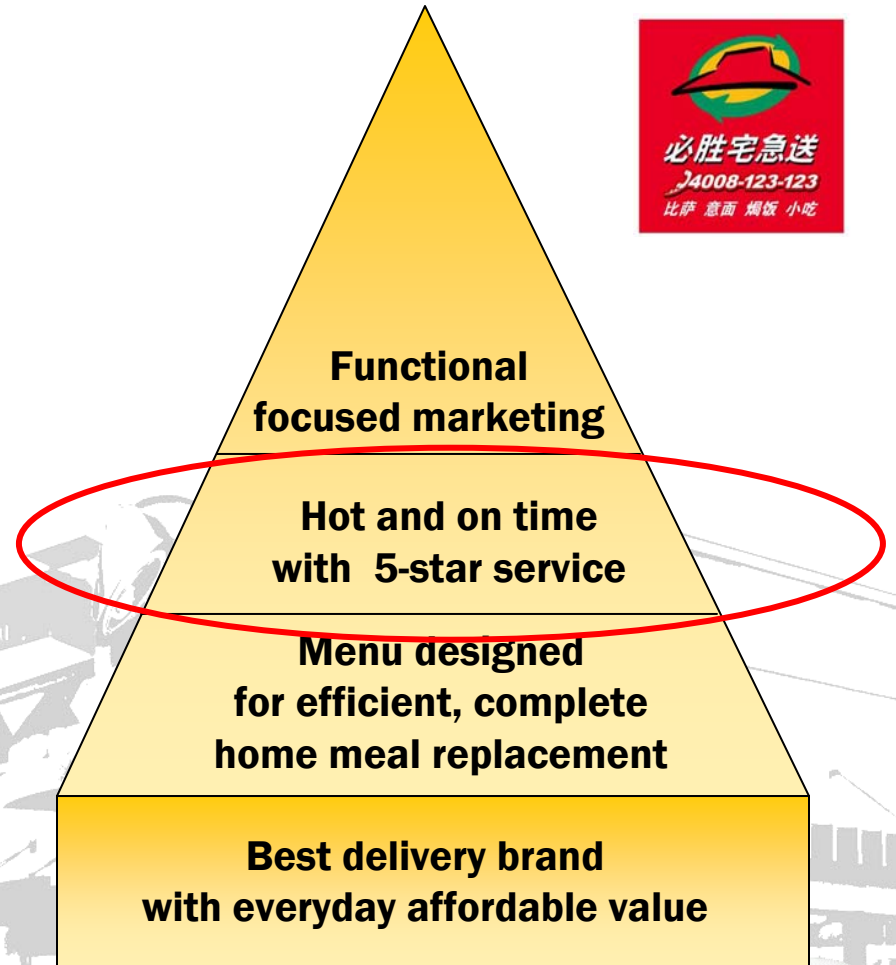


Pizza Hut, Dual Channels Brand Building

Casual Dining Brand



Home Delivery Brand



Pizza Hut, Differentiated Experience

Casual Dining Brand

- Upscale décor package
- Event driven in-store activities
- Hostess program to enhance “5-Star” feel
- Tailored Tea Time menu design



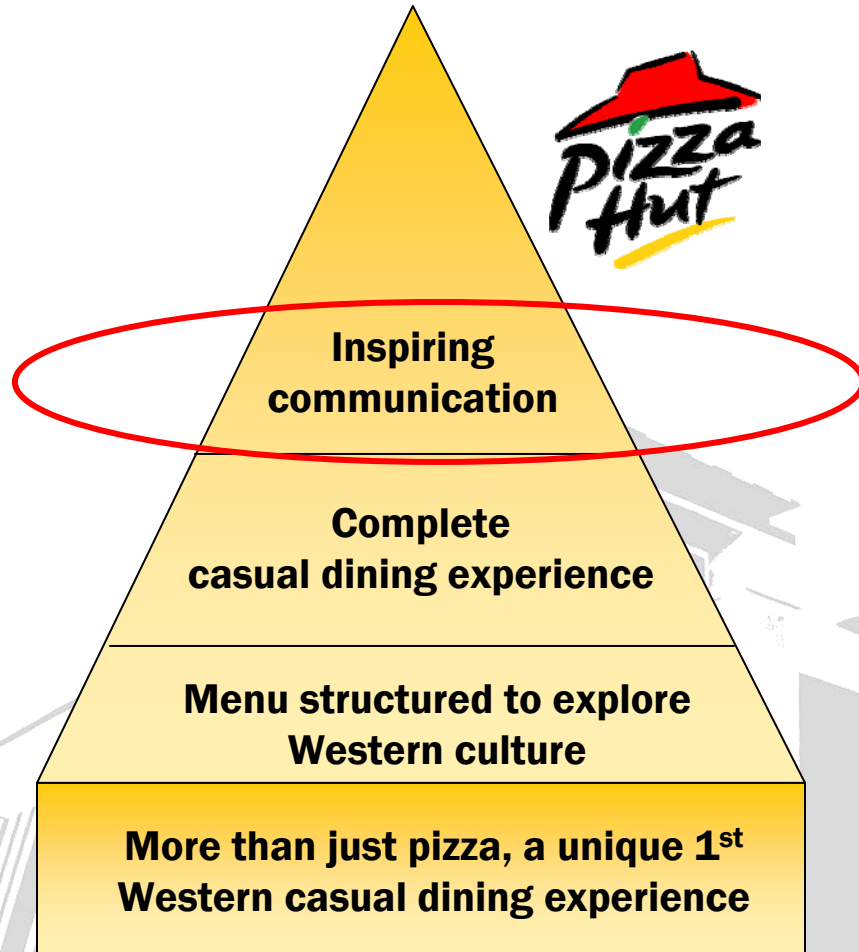
Home Delivery Brand

- One national phone number
- Well trained call-center staff
- Neat, clean & tidy delivery staff
- Delivery-time promise

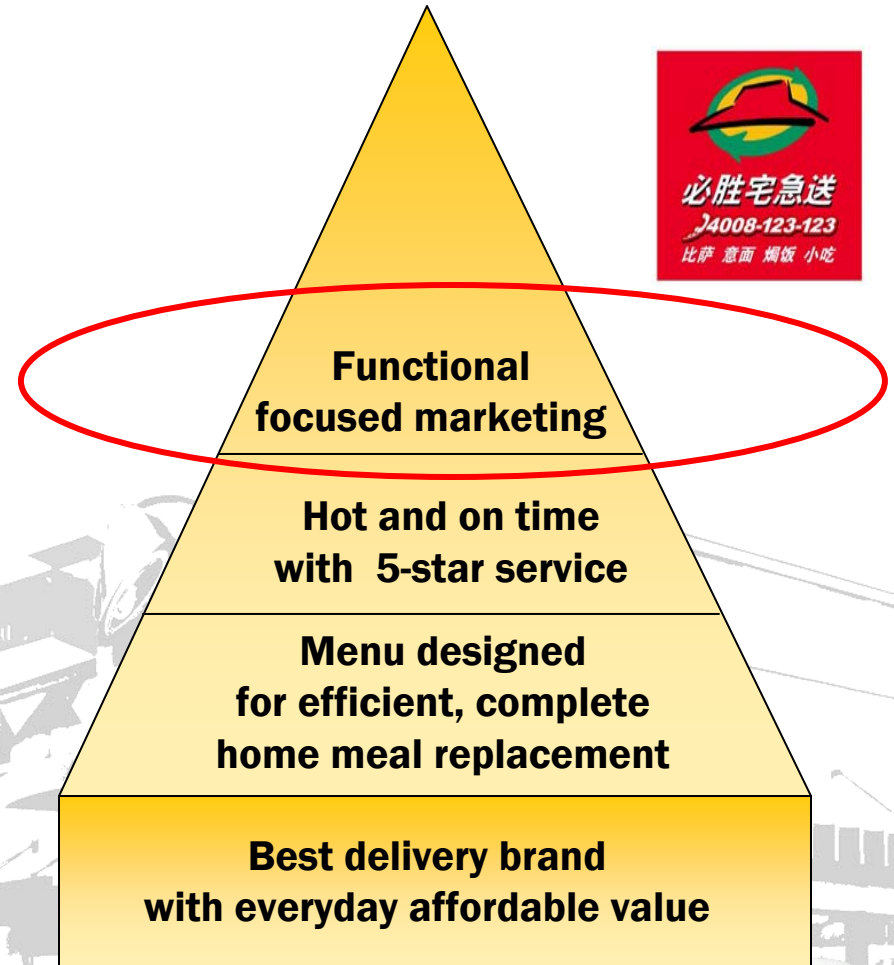


Pizza Hut, Dual Channels Brand Building

Casual Dining Brand



Home Delivery Brand



Pizza Hut, Differentiated Communication

Casual Dining Brand

- ❑ Escape from daily routine / ordinary
- ❑ Festival / holiday fun moment
- ❑ Exotic / interesting
- ❑ PR effect for community involvement



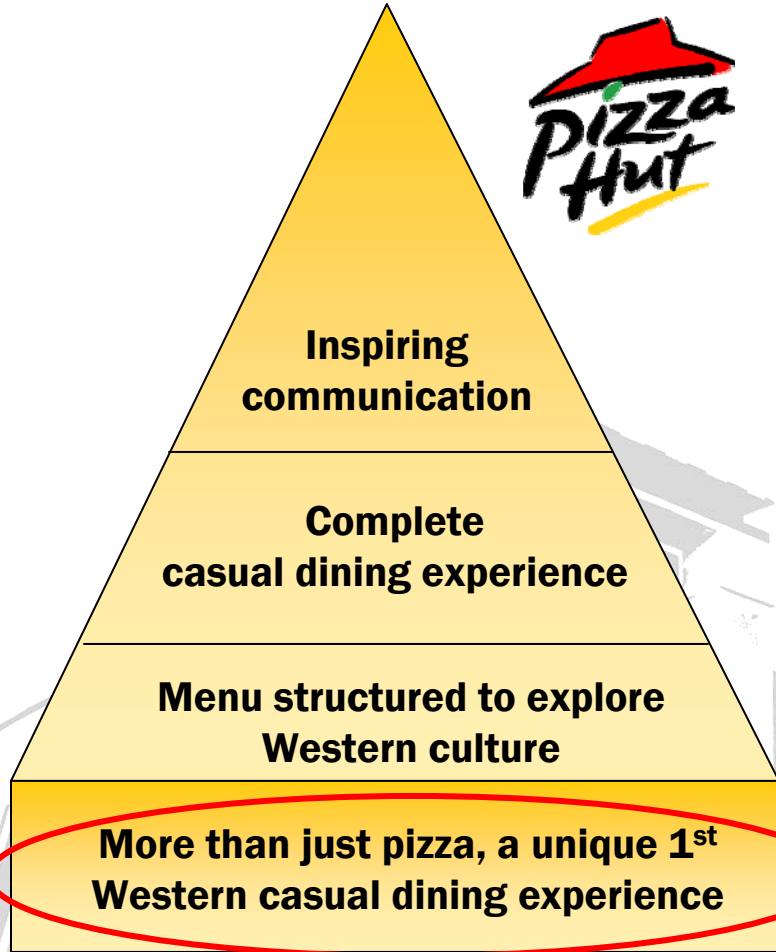
Home Delivery Brand

- ❑ Retail message driven
- ❑ Focus on leafleting
- ❑ Loyalty program

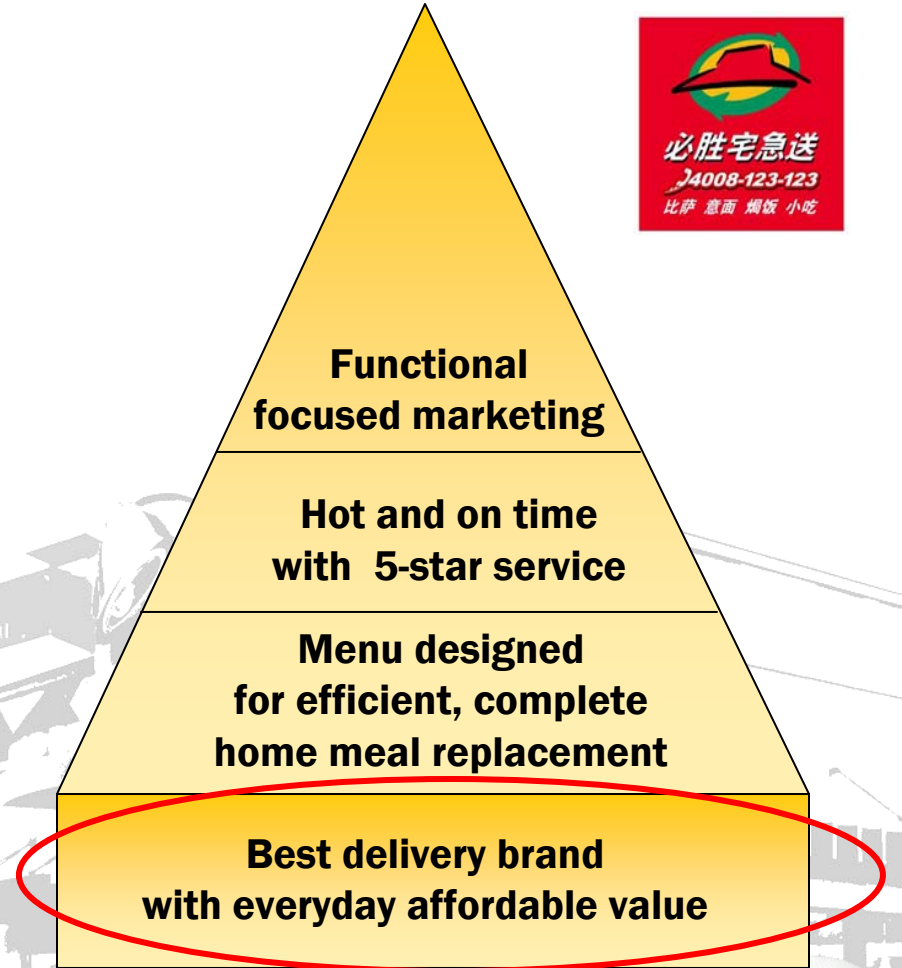


Pizza Hut, Dual Channels Brand Building

Casual Dining Brand



Home Delivery Brand



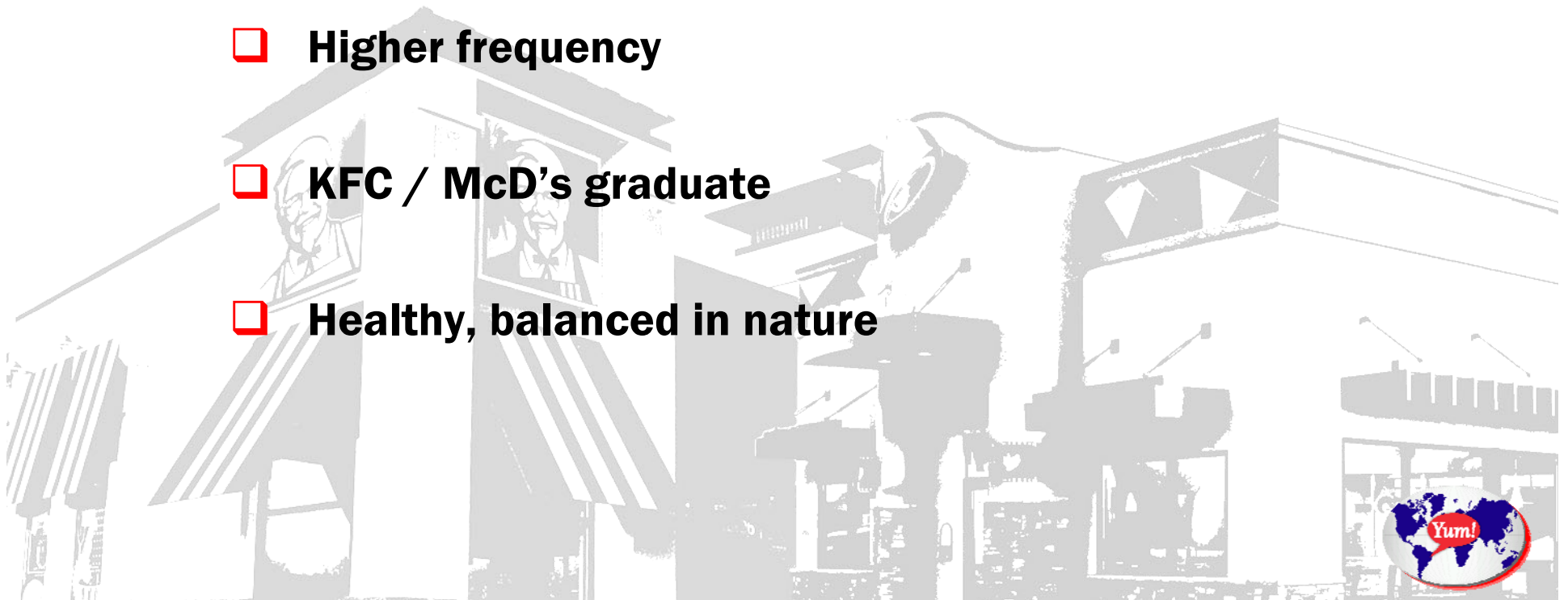
East Dawning – The Choice of Chinese QSR

東方既白

East Dawning

A Promising Future

- Higher frequency**
- KFC / McD's graduate**
- Healthy, balanced in nature**



East Dawning – Assets



Metro Store, opened April 2005



Nanfang Store, opened Oct. 2005



Wanda Store, opened Dec. 2006



East Dawning – The Choice of Chinese QSR

東方既白

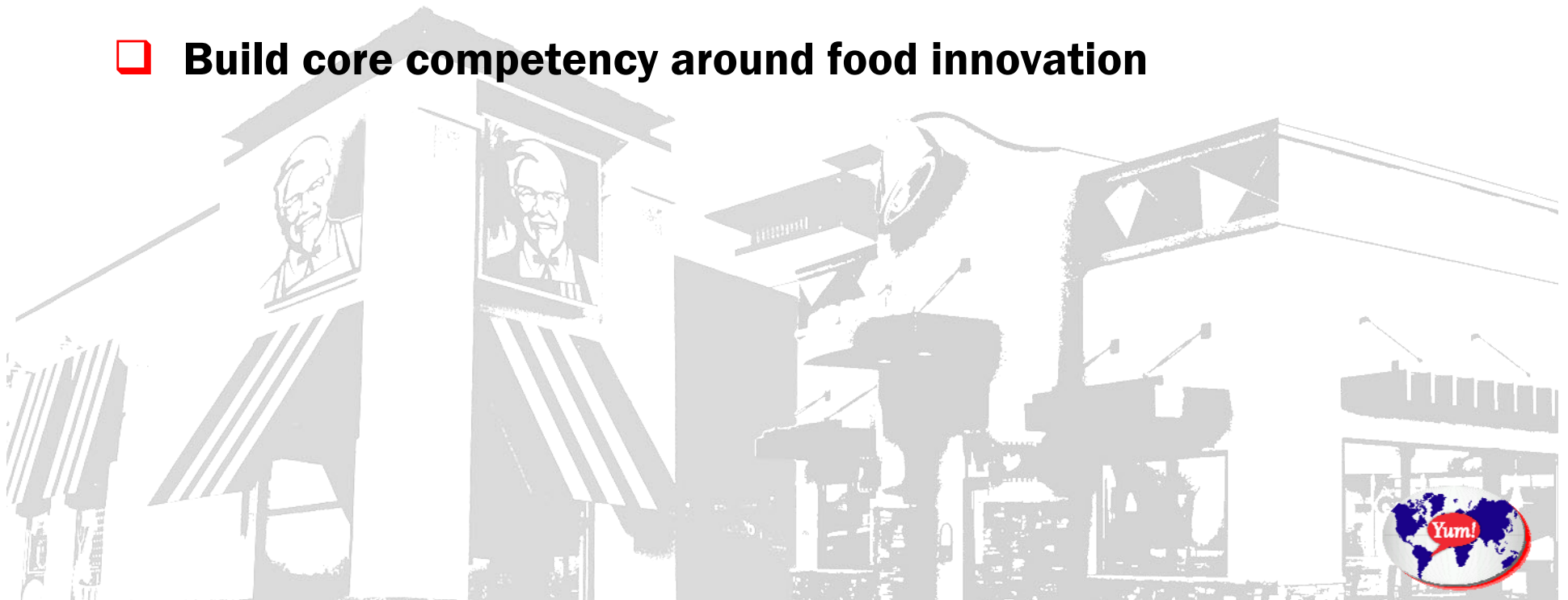
East Dawning

Chinese Fast Food Meets KFC's Standards



Building Dominant Brands in China

- ❑ Differentiated brand vision, based on consumer needs
- ❑ Stay relevant, ahead of trend
- ❑ Build core competency around food innovation



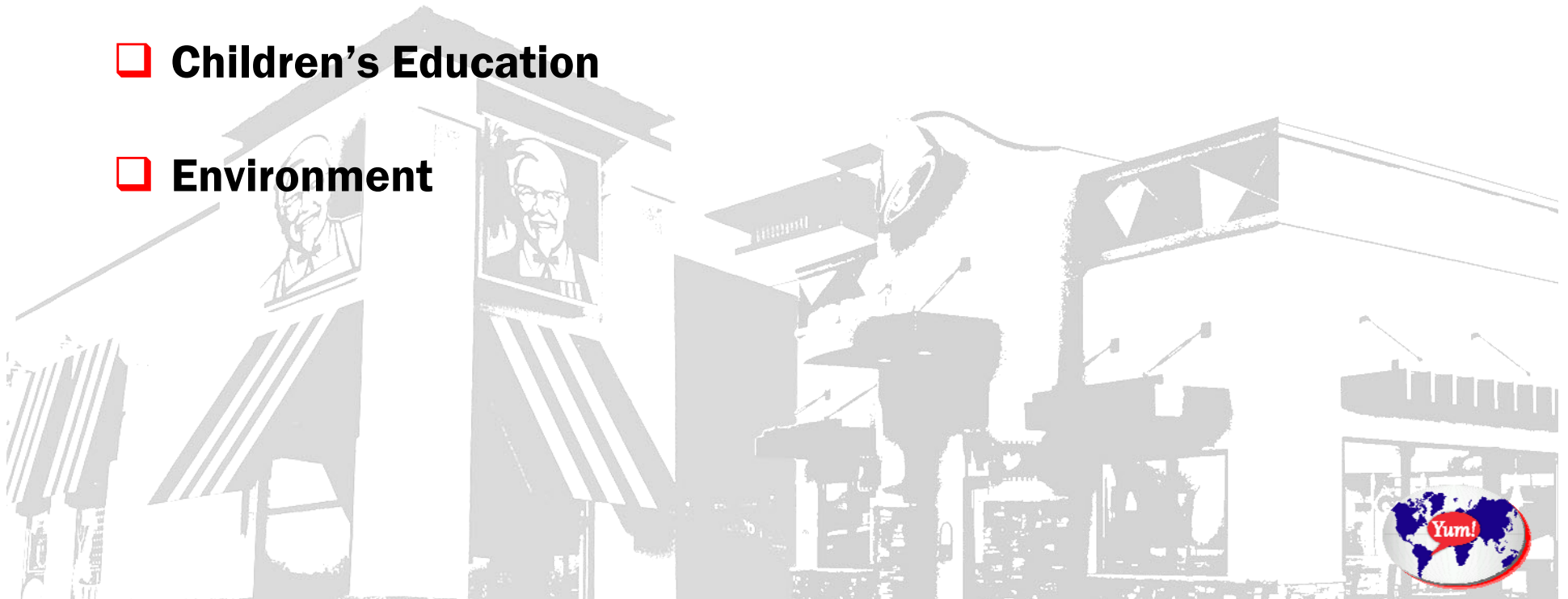


Corporate Social Responsibility

Qun Wang VP Public Affairs

Today's Discussion

- Community Investment and Philanthropy
- Health & Nutrition
- Physical Activities
- Children's Education
- Environment



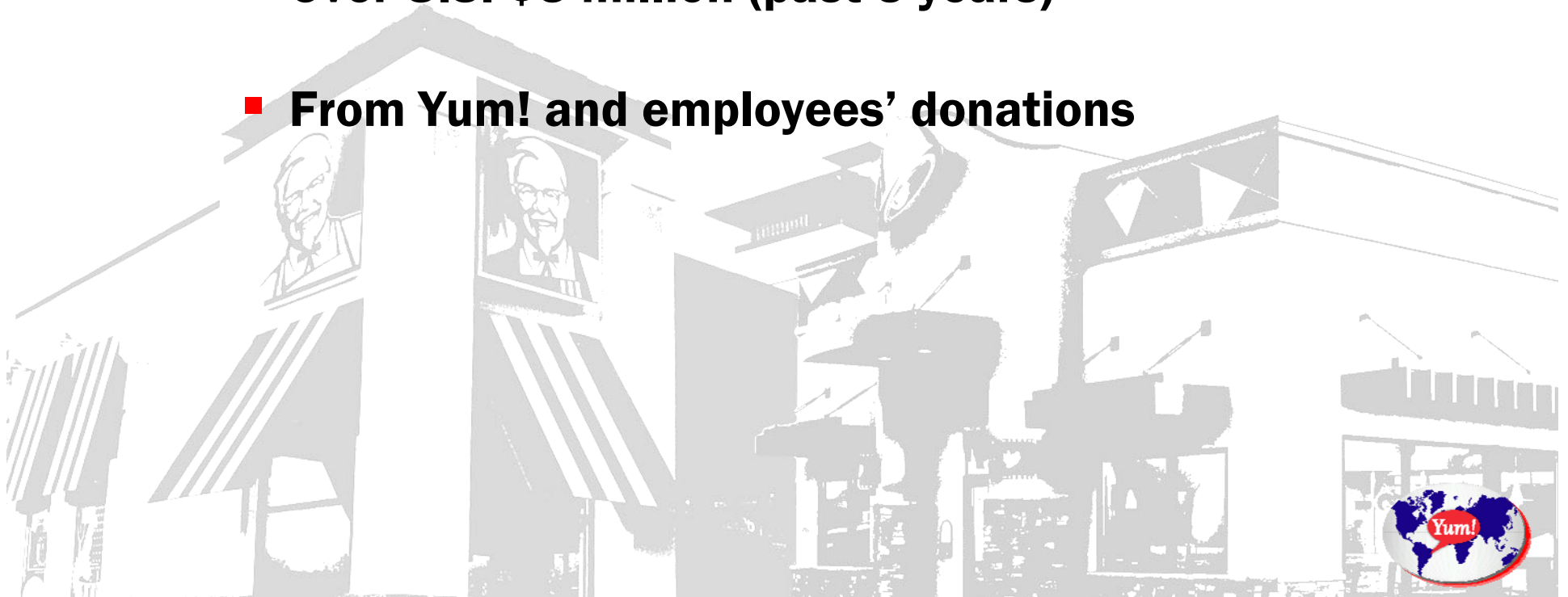
Philosophy of Our Strong CSR

- ❑ Part of the company culture
- ❑ Plays an important role in establishing long term and trusting relationships with consumers
- ❑ Being an industry leader, and a foreign enterprise at the same time, demands a more assertive role in CSR
- ❑ A risk management mechanism
- ❑ Attracts and retains employees



Community Investments and Philanthropy

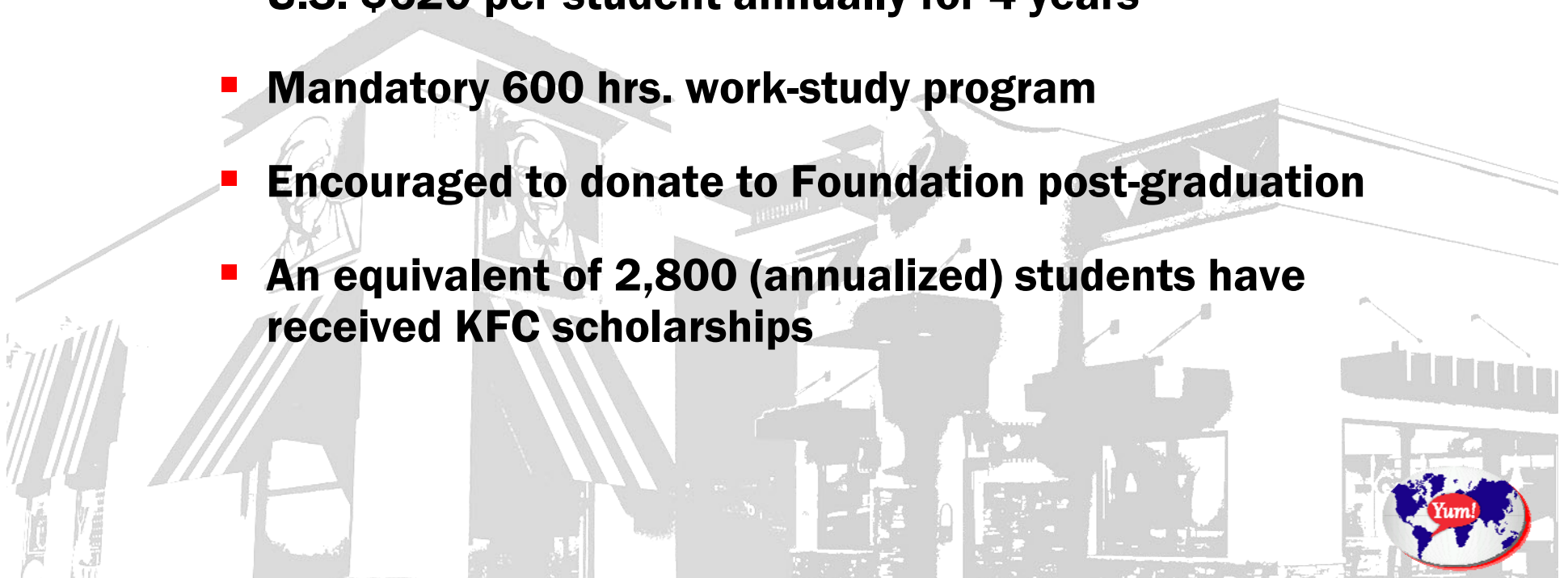
- ❑ **Donation focus: financially disadvantaged students and disaster relief**
 - **Over U.S. \$3 million (past 5 years)**
 - **From Yum! and employees' donations**



Community Investments and Philanthropy

❑ KFC 1st Light Foundation

- Started in 2002
- Total donation: U.S. \$ 4.7 million over 10 years
- U.S. \$620 per student annually for 4 years
- Mandatory 600 hrs. work-study program
- Encouraged to donate to Foundation post-graduation
- An equivalent of 2,800 (annualized) students have received KFC scholarships



Health & Nutrition

Health & Nutrition Advisory Committee

- Panel of leading food & nutrition specialists
- Introduces latest trends and research in food and nutritional science
- Provides advice for product development



Health & Nutrition

- ❑ **KFC China Health & Nutrition Policy White Paper**
 - **States KFC's health & nutrition policy**
 - **Provides information on health and nutrition trends**
 - **Reports KFC's progress against commitment**



Health & Nutrition

肯德基营养成分

劲脆鸡腿堡

脆嫩的鸡腿肉，不辣汉堡的首选。

一适量多样，均衡营养



营养成分											
	能量 kJ/kcal	蛋白质 g	脂肪 g	碳水化合物 g	膳食纤维 g	钠 mg	钙 mg	锌 mg	铁 mg	维生素A ug	维生素C mg
每份含量	2469/590	23.6	37.9	39	0.5	645.5	55.8	1.1	1.8	未检出	2.7
每份营养素含量 占每日所需百分比	26.2	33.7	60.2	11.6	/	29.3	7	8.3	10.3	/	2.7

[返回首页](#)

- * “每日所需膳食营养素推荐摄入量(RNI/AI)” 依据的是《中国居民膳食营养参考摄入量》对轻体力劳动成年人的营养素摄入建议。
- * 营养数据是由具有检测资质的北京专业检测机构提供的。
- * 每份食物的营养含量可能会因食物制作和/或原料本身的季节和地区性差异而有差异。



Health & Nutrition

Health and Nutrition Foundation

- Finances research on restaurant food among the urban population
- Publishes research reports to monitor industry trends
- Hosts Restaurant Food & Balanced Diet Conference
- Established in collaboration with Chinese Red Cross Foundation



Expanded Menu Choices

- ❑ Local R&D team formed (mid '90s)
- ❑ Increased menu choices from 15 to 48 since 2000
- ❑ Launched on average 20+ new, mostly LTO products every year
- ❑ About 30 vegetable products
- ❑ Added baking platform (non-fried)
- ❑ Developed products that suit the Chinese palate



Physical Activities

❑ KFC National Youth 3-on-3 Basketball Tournament

- Largest grass-roots sports program in China history
- Launched 2004, in collaboration with China Basketball Association
- One restaurant, one league



Physical Activities

KFC National Youth 3-on-3 Basketball Tournament - Scope

	2004	2005	2006	2007 est.
Cities	172	232	300	360
Stores	640	1,206	1,549	1,800
Teams	9,000	13,200	17,000	18,500
Participants	48,000	65,000	90,000	100,000



Children's Education Programs

☐ Kids Fun Camp

- Nationwide in-store children's education program
- Fun activities designed around nutrition and health related topics
- Scope: 2 to 3 times/store/week

☐ KFC sponsored Chicky Happy Classroom

- On-campus program for kindergarten, primary schools
- Content related to social needs identified by government
- Learning through performances and interactive activities
- Scope: 36 cities, 3,000+ schools



Children's Education Programs



Environment and Energy

- Reduce packaging
- Biodegradable plastic bags
- “Green” refrigerant
- Recycle used shortening
- “Green” efforts with suppliers via monitoring, advocacy
- Mercury and lead-free electronics



Environment and Energy

- ❑ Yum! corporate energy saving goal: Reduce 20% by 2012*
- ❑ Energy saving equipment
- ❑ Energy saving operating system
- ❑ Reduce frequency of store deliveries
 - Saving 800,000 to 1,000,000 KM/year

** Using 2005 as baseline*





Support Capability

Joaquin Pelaez Chief Support Officer

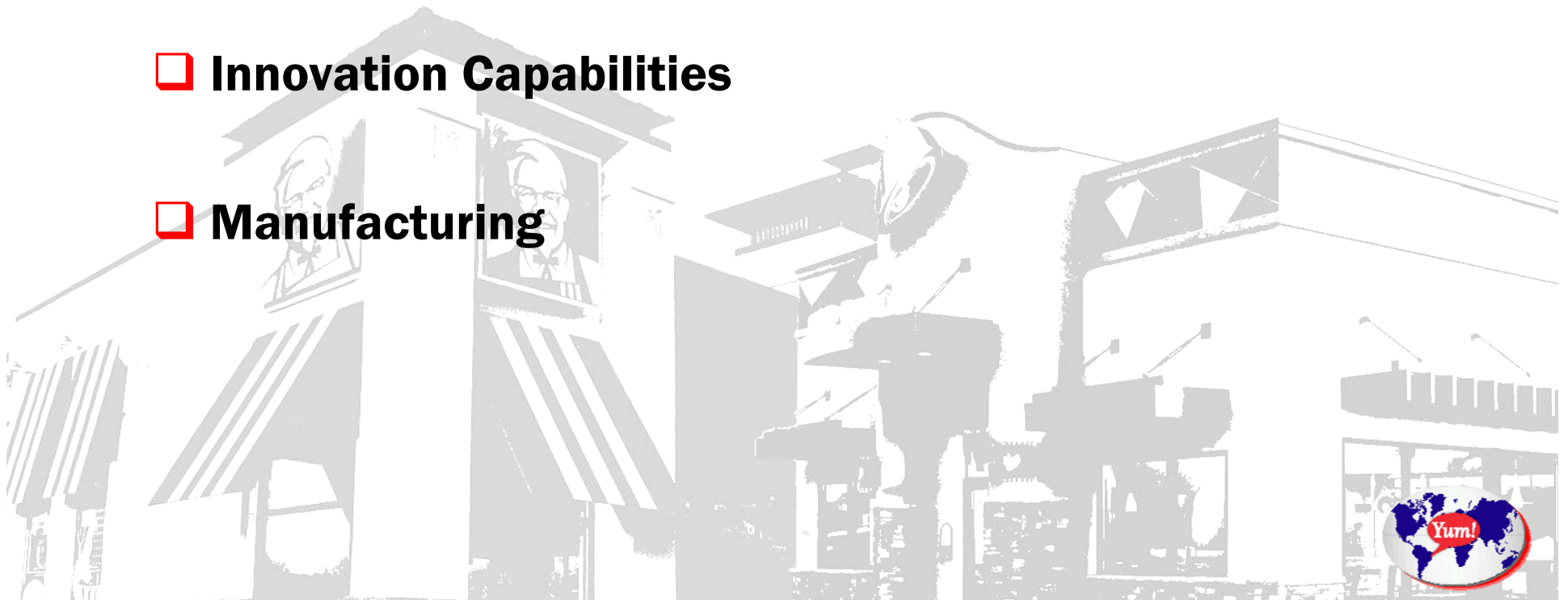
Support Capabilities That Set Us Apart

Logistics

Quality Systems

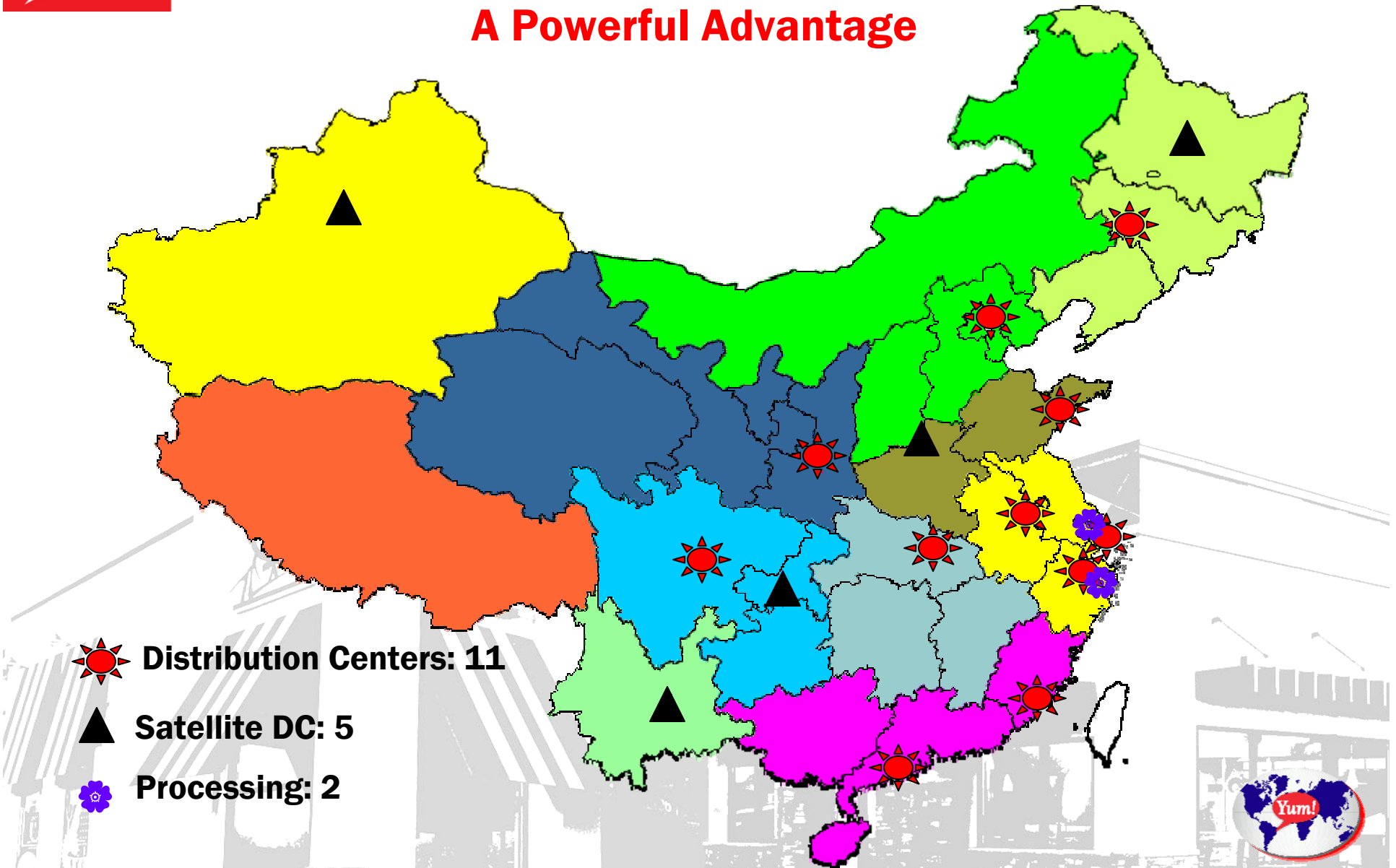
Innovation Capabilities

Manufacturing



Yum! Logistics China

A Powerful Advantage



Yum! Logistics China

Brand	Stores	SKUs
KFC	1,951	2,264
Pizza Hut Casual Dining	293	934
Pizza Hut Home Service	43	150
East Dawning	8	108
TOTAL	2,295	3,456

**... Last year
our team traveled 31 MM kms, ~ 5X around the world**

Data thru July 2007



Upgrading Distribution Assets

- ❑ **Upgraded and New DCs:**

**Beijing, Shanghai, Guangzhou, Xiamen, Qingdao, Nanjing,
Wuhan Shanghai Dough Commissary**

- ❑ **Current Upgrades and Construction Underway:**

**Hangzhou, Chengdu
Hangzhou Egg Tart Factory**

- ❑ **Future Upgrades:**

Shenyang, Xi'an, Harbin

Cost: ~\$5 million of CAPEX



Why Upgrade?

❑ Investing for Safety, Security, Growth

- Food safety/Ensure cold chain
- Secure freezer space for the future
- Plan for future store/Volume growth
- Increase efficiency
- Prepare for store and brand growth 5 + 5 year plan
- Provide staff with improved work environment
- World-class distribution system to support world-class restaurant operation



Yum! Logistics China

World Class Facilities





Food Safety and Quality Systems

12 Pc.
Drumsticks
& Thighs
\$8.99

Yum! China Food Safety Quality Systems

□ Recently media attention has highlighted food safety and quality issues in China

- Seafood products
- Toys
- Pet foods
- Toothpaste



Commitment to Food Safety

- Much work has been done to improve food safety policy in China**
- Has become top priority for the central government**
- Importantly, our supplier base has shown high commitment to our standards and practices**
- The whole industry is moving in the right direction**



Yum! China Model Is Based on Traceability from Farm to Table

Yum! China Food Safety HACCP Based Program

(Traceability-Based Program)

Microbiological
and Chemical
Criteria



Performance
criteria



Micro and
Temperature
criteria



Restaurant QA
Restaurant
HACCP



Yum! China Food Safety and Quality Model

Supplier Selection and control

- ❑ **Re-qualified the right suppliers** based on food safety, food quality, supplier quality programs and commercial standards
- ❑ **Qualify suppliers based on Food Safety and quality capabilities** and their implementation of HACCP programs
- ❑ **Implemented at Yum China a robust specification system**



Yum! China Food Safety and Quality Model

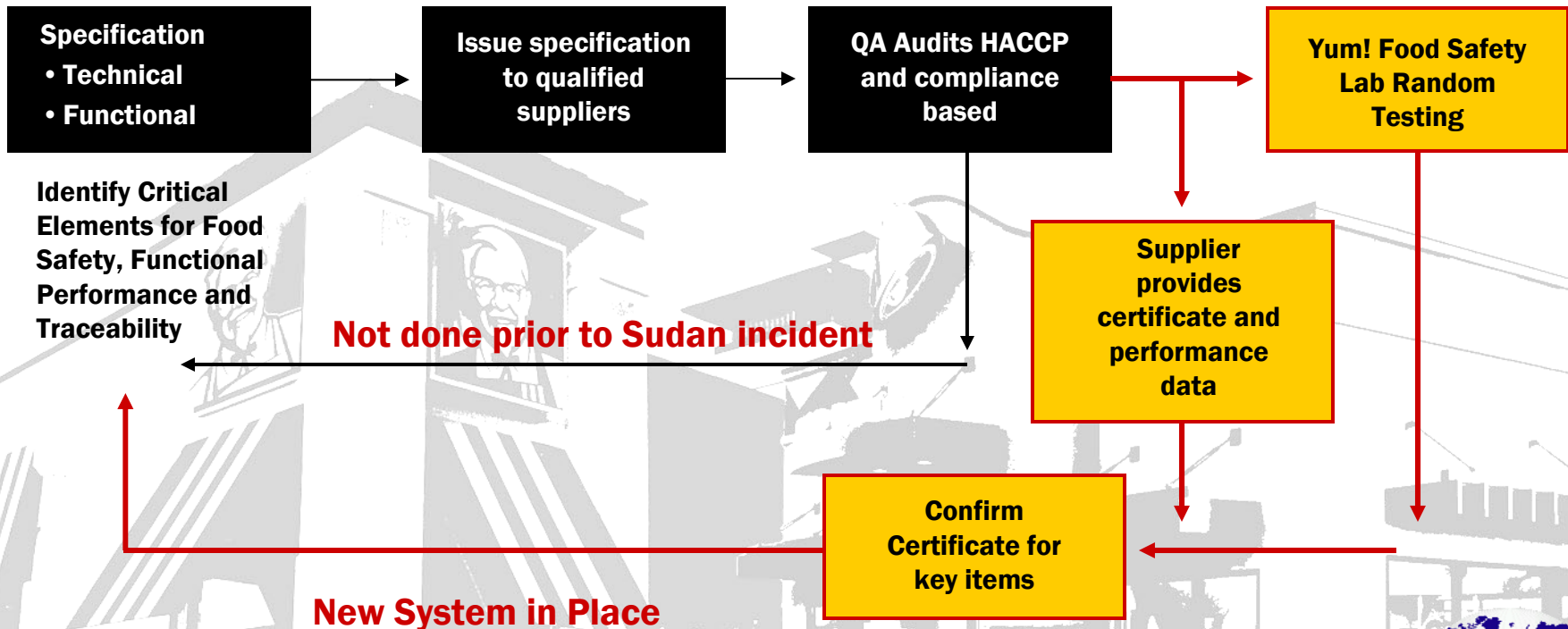
Raw Materials Control

- ❑ **More specific criteria** used for suppliers when purchasing raw ingredients
 - Potential exposure to chemicals and pesticides
 - Microbiological limits
 - Irrigation water quality
 - Labor and hygiene standards
- ❑ **More surveillance** at scheduled frequency
 - Evaluation of how supplier's food safety and quality program work
 - Yum sampling and testing of ingredients at our Food Safety Lab
 - Enforcing regulatory compliance



Yum! China Food Safety and Quality Model

Yum China Standards



Yum! China Food Safety and Quality Model

Education

- Integrated educational requirements beyond primary suppliers**
- Implemented Yum China's crisis management program**
- Instituted HACCP discipline across all suppliers in Category I and including commissaries**
- Created our Food Safety Experts Consulting Committee**
- Communicated with our consumers, JV partners and all constituents about our efforts and commitments.**



Yum! China Food Safety and Quality Model

Enforcement

Monitor:

- Adulterants and contaminants surveillance.**
- Sent letters of non compliance all the way to disqualification to those suppliers in violation of our standards**
- Performance and set incentives for suppliers for high and low compliance**
- Specification compliance and traceability based on HACCP**



Yum! China Food Safety and Quality Model

Restaurant Support

Dedicated Field QA team (108 professionals) in all markets

- Support all restaurant openings**
- Technical audit is conducted on every single restaurant 4 times per year**
- Conduct Technical audit and product cuttings in the field**
- Visit local authorities and develop good relationship**
- Provide on site technical expertise on food safety, product knowledge to the restaurants**



Yum! China Food Safety and Quality Model

Restaurant Support

Created the Food Safety and Regulatory Office

- Collected and updated the database on food law/regulation/standards and ensure full compliance**
- Conducts random testing 10 times per year on our raw materials**
- Participates in the formulation of Chinese food standards**
- Operates the Yum! China Food Safety Advisory Committee (3 conducted)**
- Communicates with officials, media and consumers on food safety issues**



Our Learnings Thus Far

- Our Food Safety approach has been suggested as a strong model for China**
- Collaborating with officials at the central and local level to improve food safety practices across China**
- Leadership commitment from the top (gov't, industry) essential**
- Demonstration of corporate leadership with actionable plans has earned credibility with consumers and regulatory officials**
- Suppliers learning a great deal about traceability**
- As a whole, the industry is moving in the right direction**





Food Innovation Capabilities

Food Product Innovation

- ❑ Food innovation a core value in Yum! China
- ❑ Clear goal: **Deliver great tasting, differentiated food for all brands and occasions**
 - Grounded in consumer insights, clear menu vision
 - Menus with breadth in variety, quality, occasion
 - Strategic brand fit
- ❑ Local know-how developed well over a decade
- ❑ Team understands local palate and cultural differences associated with food in China



Food Product Innovation

- ❑ Each brand focuses on business pillars and day parts
- ❑ Typically launch 80 + new products annually across our brands
 - 170+ products in our pipeline at any time
- ❑ Yum China has become an innovation leader for Yum worldwide
 - Pizza Hut Delivery
 - Pizza Hut Casual Dining
 - KFC Roasted products
 - Beverages and Desserts
- ❑ Leveraging our know-how for big payoff: Chinese QSR





Chicken Sandwiches



Second Proteins



KFC Innovation — Soups & Salads, Snacks & Portables



KFC – Beverages & Desserts



Egg Tarts



Hot & Cold Drinks



Pizza Hut Casual Dining

Elevating Food to New Standards



暖意浓浓 温馨无限

必能带给你推而广之的温暖与感动，
诱人的口感，温馨的氛围，必能让您回味无穷。

暖心三文鱼浓汤 28.00元/份
Crispy Shredded Soup with Salmon
配上新鲜时蔬，加入特选浓汤，鲜美三文鱼片，三色洋葱，
新鲜蘑菇，让您回味无穷。

地中海香滑海鲜汤 28.00元/份
Fancy Mediterranean Seafood Soup
精选新鲜时蔬，加入特选浓汤，鲜美三文鱼片，三色洋葱，
新鲜蘑菇，让您回味无穷。

www.pizzahut.com.cn



夏日特饮 畅享新鲜

金玉包饰 18.00元
Fruit Mango Pudding 180ml
芒果果酱搭配新鲜芒果果肉，搭配2种
新鲜水果，让您畅享夏日清凉。

抹茶浮露 18.00元
Matcha Tea Smoothie 180ml
精选日本抹茶粉，搭配新鲜水果，
让您畅享夏日清凉。

红紫双莓 18.00元
Red Purple Berry Smoothie 180ml
新鲜草莓蓝莓，搭配新鲜水果，
让您畅享夏日清凉。

玫瑰果露 18.00元
Rose Fruit Smoothie 180ml
新鲜玫瑰果，搭配新鲜水果，
让您畅享夏日清凉。

www.pizzahut.com.cn



Pizza Hut Home Service

New Traditional Dough Pizza

必胜宅急送
全国外送专线 4008-123-123

大胆放弃铁盘比萨
推出全新纯珍比萨

新纯珍比萨
Authentic

彻“底”新改变
引领您进入欧洲传统比萨的美食新世界

惊喜体验价!
至尊系列 只要45元
精选系列 只要39元
(原铁盘至尊系列 55元)



最新选用以进口小麦为原料的高蛋白面粉和来自法国的酵母Lesofre，大大改善面团韧性，提升饼底嚼劲，细心的您还能体味到只有面团充分发酵才能获得的微甜回味呢!

升级饼底

采用由加利福尼亚新鲜西红柿制作的番茄酱，其中的每一个番茄颗粒都能释放不同于第一代番茄酱的新鲜口感，让您尽享100%原味!

升级比萨酱

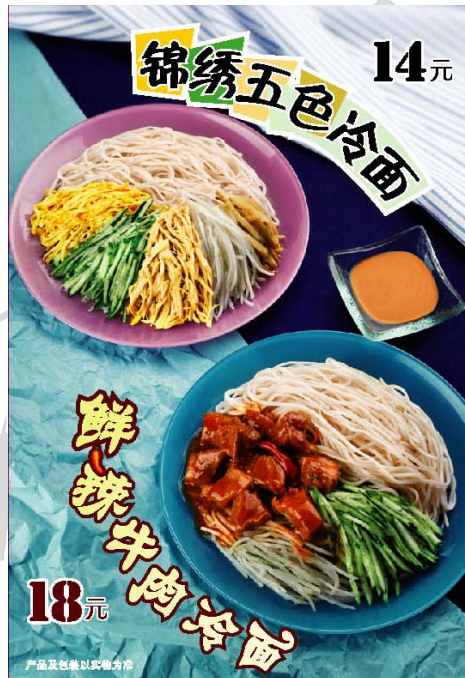
香浓芝士用量再增12%，每一口都饱含芝士的浓郁风味，毫无干涩，只有流丝爽口，让挚爱芝士的您尽情欢享!

升级芝士





East Dawning Innovation



East Dawning Innovation

❑ Key Challenges in the development of a Chinese fast food concept

- Commercialization of Chinese cooking techniques**
- Food preparation and assembly in the BOH (Back of the House) to meet the speed of service expectation of 90 sec.**





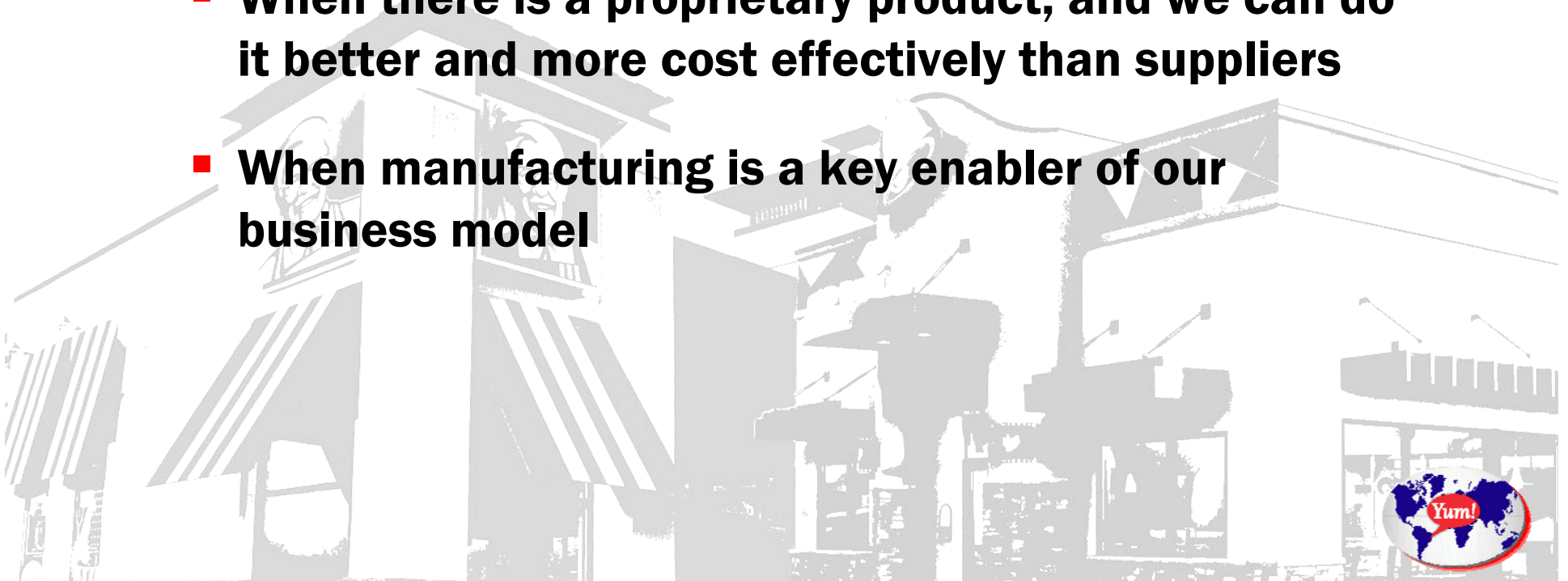
Yum! China Manufacturing

12 Pc.
Drumsticks
& Thighs
\$8.99

Yum! China Manufacturing

Why manufacturing ourselves?

- **When there are no supplier options to execute our strategy**
- **When there is a proprietary product, and we can do it better and more cost effectively than suppliers**
- **When manufacturing is a key enabler of our business model**



Yum! China Manufacturing

- ❑ **When there are no supplier options to execute our strategy (Dough Balls for Pizza Hut Home Service)**



Dough Commissary



Yum! China Manufacturing

- ❑ **When there is a proprietary product, and we can do it better and more cost effectively than suppliers (Egg Tart Commissary)**

Hangzhou Distribution Center and Egg Tart Factory



Yum! China Manufacturing

- ❑ When manufacturing is a key enabler of our business model and no capability exists in China**



Support Capabilities Summary

- ❑ **Strong logistic capabilities to support our growth**
- ❑ **Food Safety and quality a “top corporate priority and a company mindset”**
- ❑ **Strong innovation capabilities for all our brands leading the pace in many business segments**
- ❑ **Developing self-manufacturing capabilities where no capabilities exist**





High-Return Development

Lily Hsieh **Chief Financial Officer**

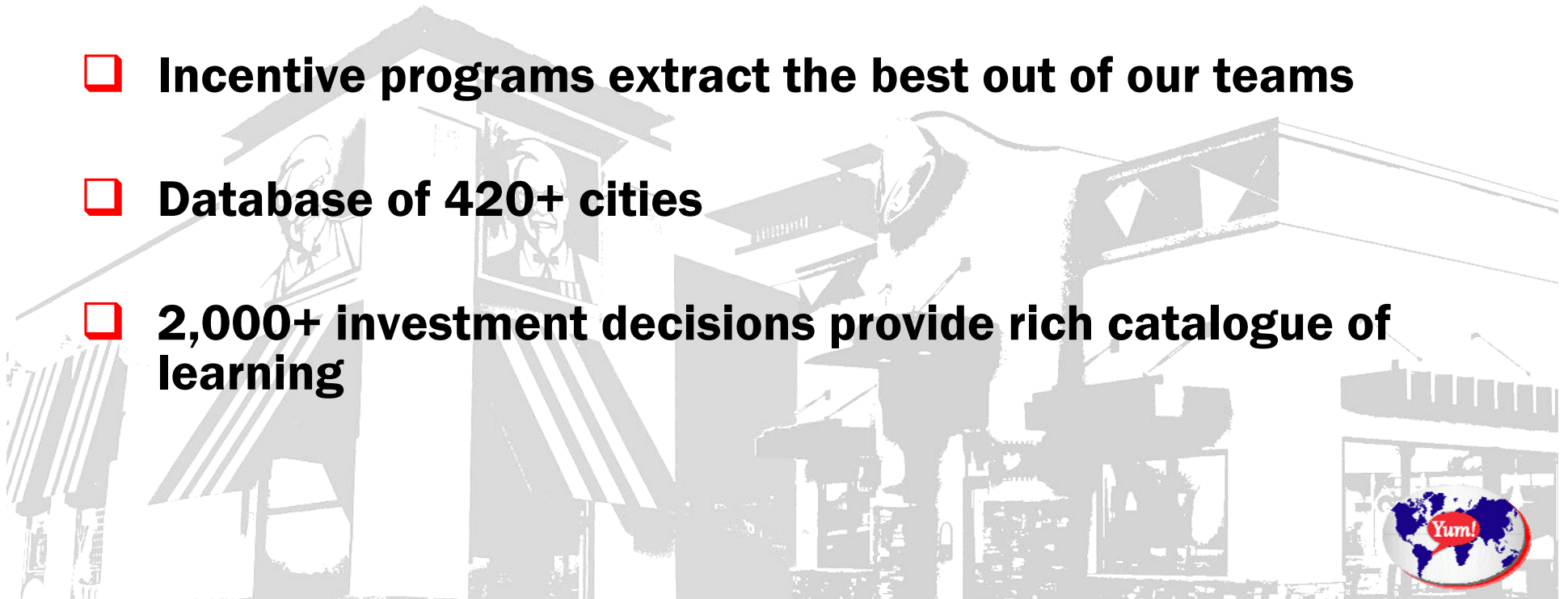
Rapid, Profitable Expansion Continues

- ❑ Expanding three category-leading brands
- ❑ Unit economics yield excellent returns
- ❑ More than traditional units
- ❑ Beyond large, coastal cities
- ❑ Unrivaled development capability



Unequaled Resource Commitments

- ❑ Today . . . 500+ development professionals on the ground
- ❑ Extensive people-development programs
 - Technical know-how and execution
- ❑ Incentive programs extract the best out of our teams
- ❑ Database of 420+ cities
- ❑ 2,000+ investment decisions provide rich catalogue of learning





Strong Unit Economics with KFC

Mainland China KFC Traditional Unit

Average Unit Volume (\$ million)	\$0.8 to 1.0
Average Transactions (thousand)	300+
Cash Margin	25%+
Cash Investment (\$ thousand)	\$450 to 500

Strong Return – Sales Are 2X Investment



Tremendous Reach with KFC

City Tier	# of Cities Entered	Total Population (MM)	# of KFC Units
1	4	50.4	540
2	26	78.7	614
3	43	63.4	309
4	84	57.0	264
5, 6	269	66.8	244
TOTAL	426	316.3	1,971



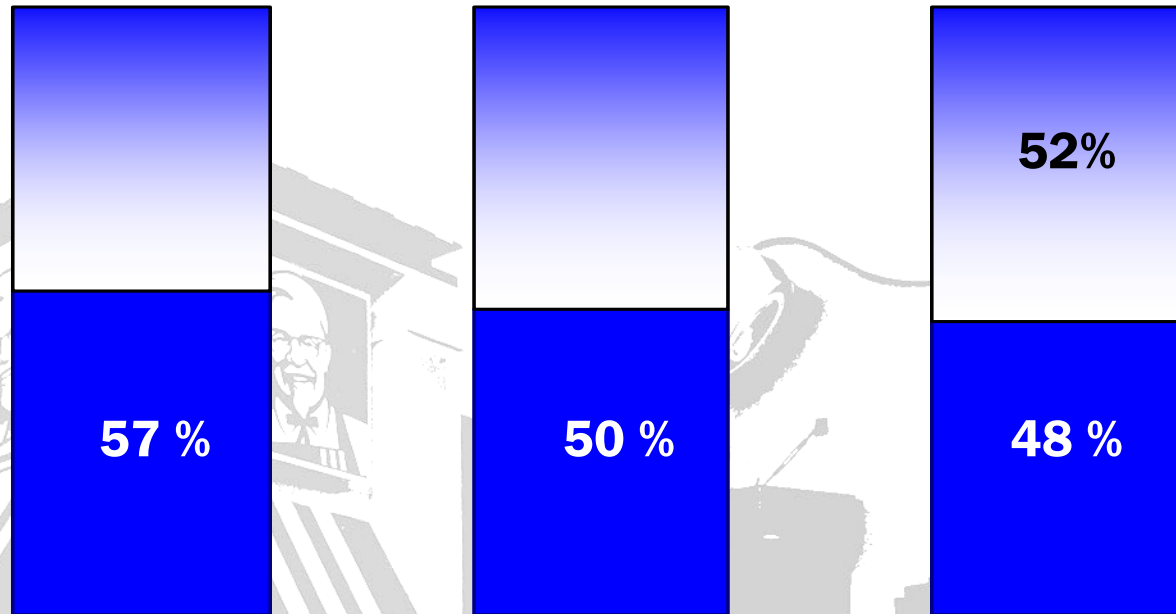
Penetrating Beyond the Big Cities



% of New Builds by Tier

Tier 3,4,5,6

Tier 1,2



2004

2005

2006



New Opportunities Beyond Traditional Units

Bringing KFC Brand to wider variety of destinations

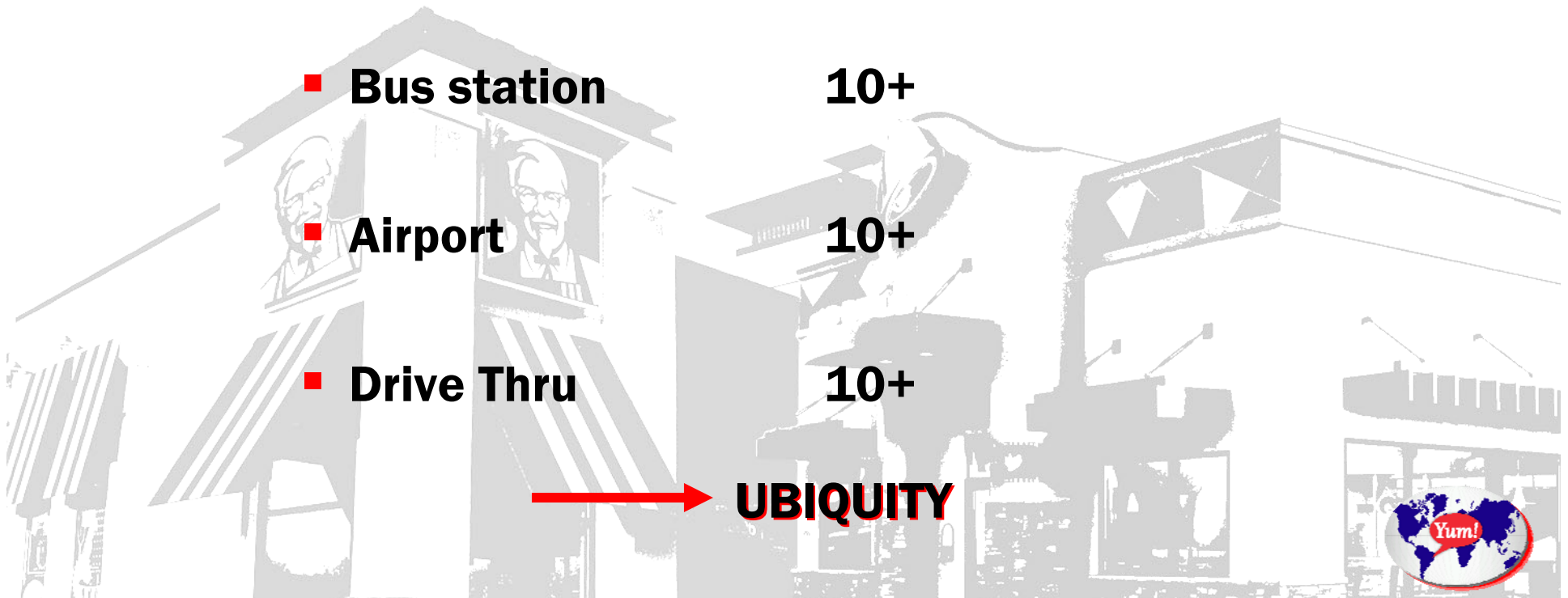
■ Railway station 25+

■ Bus station 10+

■ Airport 10+

■ Drive Thru 10+

UBIQUITY



New Opportunities Beyond Traditional Units

KFC Drive Thrus



- Car ownership rising sharply
- Foot, bus, train traffic remain very important



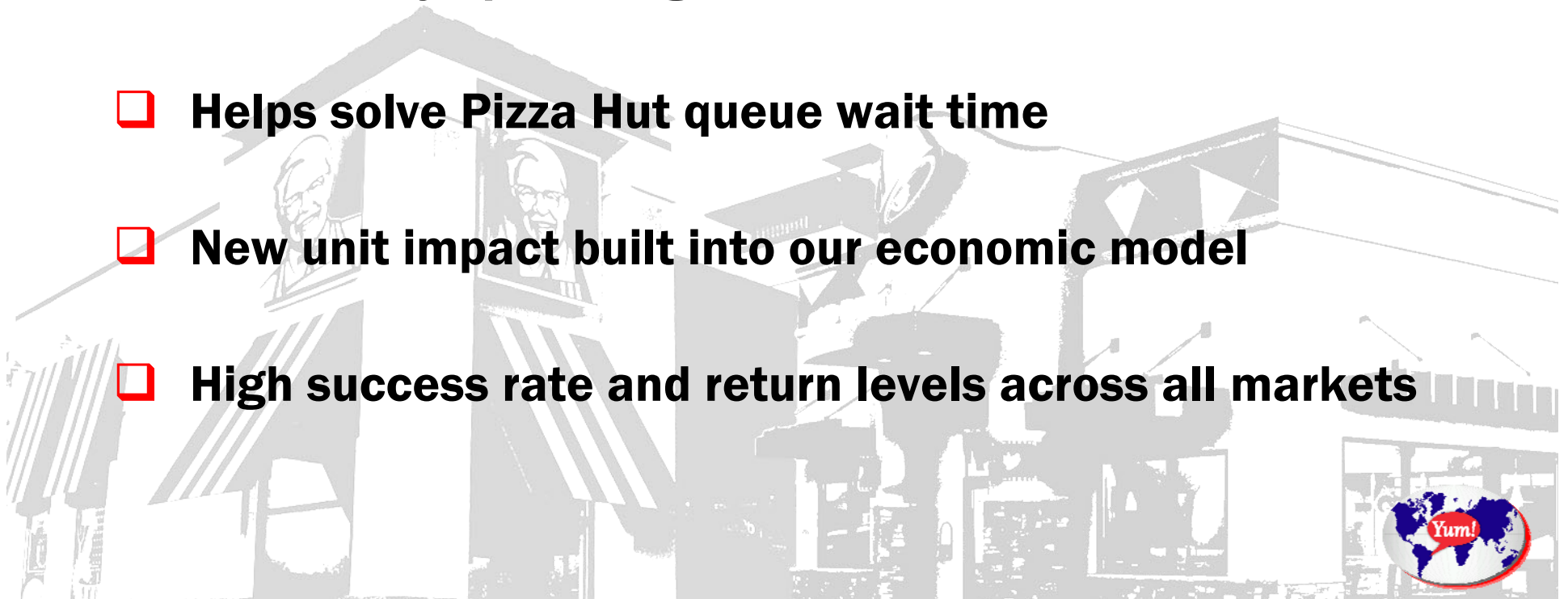
Pizza Hut Casual Dining Returns Similarly Attractive

- ❑ **Unit economics similar to KFC**
- ❑ **AUVs \$0.9 to \$1.1 million, about 2X investment**
- ❑ **Rapid unit growth AND Positive SSS**
- ❑ **Stepping up expansion pace**
- ❑ **No credible competition**



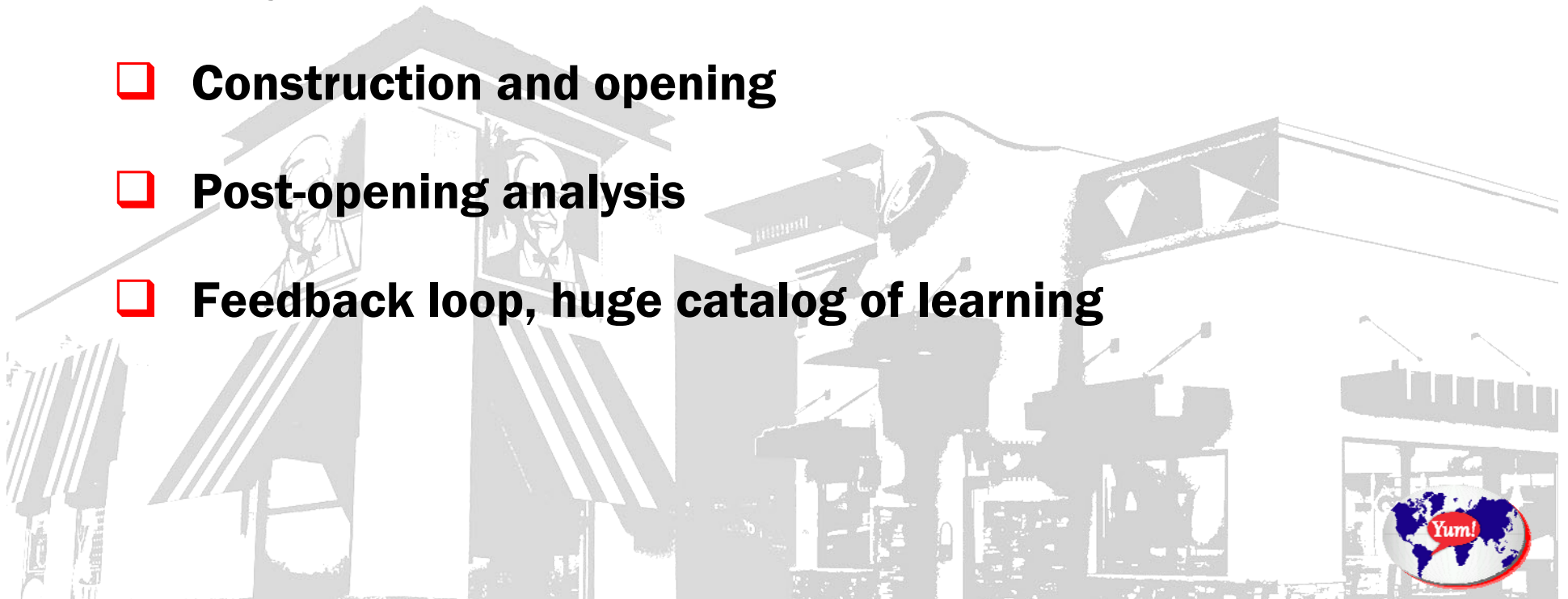
Impact from Expansion Used to Our Advantage

- Build adjacent units to relieve pending capacity constraints**
- Proactively optimizing service levels at KFC**
- Helps solve Pizza Hut queue wait time**
- New unit impact built into our economic model**
- High success rate and return levels across all markets**



Rigor Every Step of the Way

- Market mapping and trade zone identification**
- Site selection and acquisition**
- Project approval**
- Construction and opening**
- Post-opening analysis**
- Feedback loop, huge catalog of learning**



Leverage Development Capability for Newer Concepts

Pizza Hut Home Service



East Dawning



- Development teams already on the ground
- Leveraging the same extensive city, trade zone database



On Pace to a Record Year in Mainland China

New '07 F

KFC

300+

Pizza Hut CD

80+

Pizza Hut HS

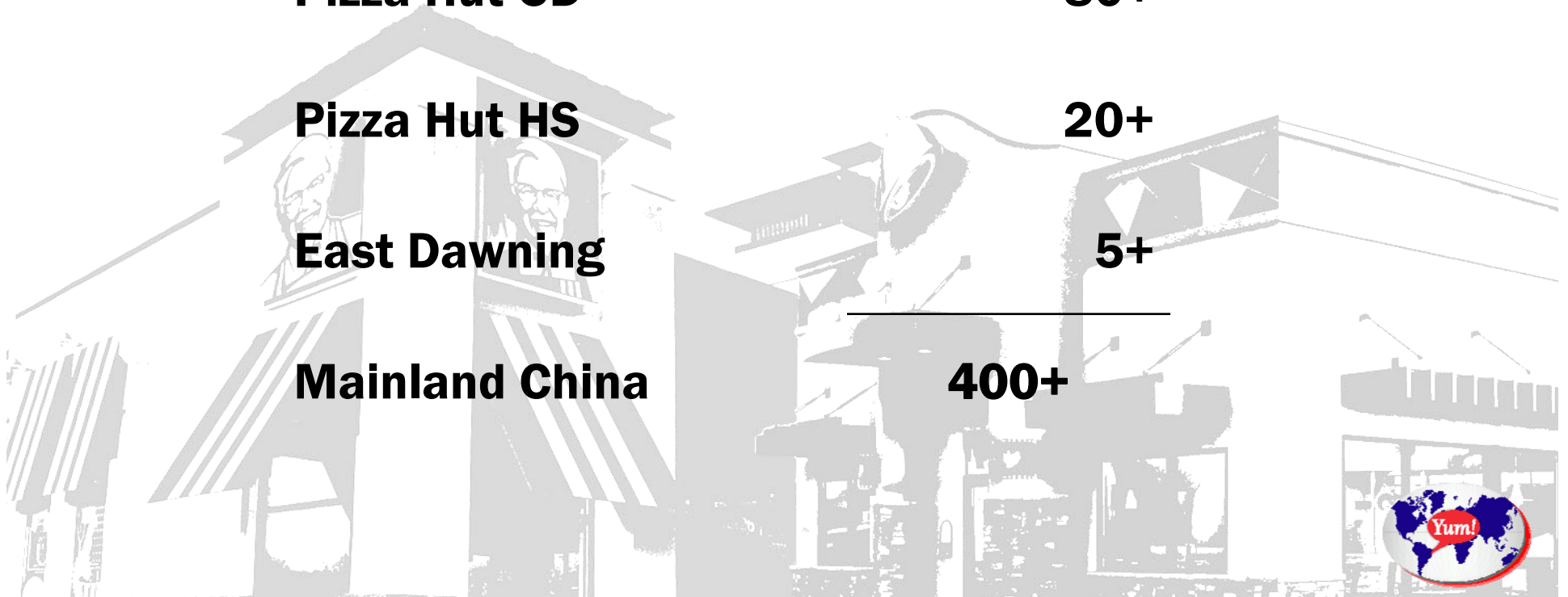
20+

East Dawning

5+

Mainland China

400+



Summary

- ❑ **Development continues to be a key growth driver**
 - **Driven by strong returns**

- ❑ **Development capabilities**
 - **Team/disciplined process/database a big competitive advantage**

- ❑ **Capability ready for new brand expansion**

