

**PepsiCo, Inc. Q1 2018 Earnings Call**  
**Reconciliation of GAAP and Non-GAAP Information (unaudited)**<sup>1</sup>

In discussing financial results and guidance, we refer to core results, core constant currency results, organic results, free cash flow and free cash flow excluding certain items which are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We use these non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

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. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring programs; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; debt redemptions; pension and retiree medical related items; amounts related to the resolution of tax positions; asset impairments (non-cash); and remeasurements of net monetary assets. See below for a description of adjustments to our U.S. GAAP financial measures included herein.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

*Commodity mark-to-market net impact*

In the 12 weeks ended March 24, 2018, we recognized \$31 million of mark-to-market net losses on commodity derivatives in corporate unallocated expenses. In the year ended December 30, 2017, we recognized \$15 million of mark-to-market net gains on commodity derivatives in corporate unallocated expenses. We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit.

*Restructuring and impairment charges*

*2014 Multi-Year Productivity Plan*

In the 12 weeks ended March 24, 2018, we incurred restructuring charges of \$12 million (\$8 million in selling, general and administrative expenses and \$4 million in other pension and retiree medical benefits income) in conjunction with the multi-year productivity plan we publicly announced in 2014 (2014 Productivity Plan). In the year ended December 30, 2017, we incurred restructuring charges of \$295 million (\$229 million in selling, general and administrative expenses and \$66 million in other pension and retiree medical benefits income) in conjunction with our 2014 Productivity Plan. The 2014 Productivity Plan includes the next generation of productivity initiatives that we believe will strengthen our beverage, food and snack businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency. To build on the 2014 Productivity Plan, in the fourth quarter of 2017, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives described above to further strengthen our beverage, food and snack businesses.

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<sup>1</sup> For a full discussion of our first quarter 2018 financial results, including definitions we use in discussing our financial results, please refer to our press release issued April 26, 2018.

### *Provisional net tax expense related to the Tax Cuts and Jobs Act (TCJ Act)*

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional transition tax expense of \$1 million in the first quarter of 2018, in addition to the provisional net tax expense of \$2.5 billion recognized in the fourth quarter of 2017.

The changes in the TCJ Act are broad and complex and we continue to examine the impact the TCJ Act may have on our business and financial results. The recorded impact of the TCJ Act is provisional and the final amount may differ from the above estimates, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in Internal Revenue Service interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act.

### *Free cash flow excluding certain items*

Free cash flow excluding certain items is an important measure used to monitor our cash flow performance. We believe this non-GAAP measure provides investors additional useful information when evaluating our cash from operating activities. Adjustments to get to free cash flow excluding certain items include: discretionary pension contributions, payments related to restructuring charges, and the tax impacts associated with each of these items, as applicable. In future years, we expect this measure to exclude payments related to the provisional mandatory transition tax liability of approximately \$5 billion, which we currently expect to be paid over the period 2019 to 2026 under the provisions of the TCJ Act.

### *2018 guidance*

Our 2018 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes, sales and certain other taxes and foreign exchange translation. Our 2018 core tax rate guidance and 2018 core constant currency EPS growth guidance exclude the commodity mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2018 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2018 organic revenue growth to our full year projected 2018 reported net revenue growth because we are unable to predict the 2018 impact of foreign exchange due to the unpredictability of future changes in foreign exchange rates and because we are unable to predict the occurrence or impact of any acquisitions, divestitures or other structural changes. We are also not able to reconcile our full year projected 2018 core tax rate to our full year projected 2018 reported tax rate and our full year projected 2018 core constant currency EPS growth to our full year projected 2018 reported EPS growth because we are unable to predict the 2018 impact of foreign exchange or the mark-to-market net impact on commodity derivatives due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of these measures.

**PepsiCo, Inc. and Subsidiaries**  
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**Diluted EPS Reconciliation**

	12 Weeks Ended <u>3/24/2018</u>
Reported Diluted EPS	\$ 0.94
Commodity Mark-to-Market Net Impact	0.02
Restructuring and Impairment Charges	0.01
Provisional Net Tax Expense Related to the TCJ Act	—
<b>Core Diluted EPS</b>	<b>\$ 0.96</b>

**Effective Tax Rate Reconciliation**

	12 Weeks Ended <u>3/24/2018</u>
Reported Effective Tax Rate	18.3 %
Impact of Commodity Mark-to-Market Net Impact	0.1
Impact of Restructuring and Impairment Charges	(0.1)
Impact of Provisional Net Tax Expense Related to the TCJ Act	(0.1)
<b>Core Effective Tax Rate</b>	<b>18.3 %</b>

**Net Revenue Growth Reconciliation**

	12 Weeks Ended <u>3/24/2018</u>
Reported Net Revenue Growth	4 %
Impact of Foreign Exchange Translation	(2)
Impact of Acquisitions and Divestitures	—
Impact of Sales and Certain Other Taxes <sup>(a)</sup>	—
Impact of Excluding North America Beverages (NAB)	2
<b>Organic Revenue Growth Excluding NAB</b>	<b>5 %</b>

**Operating Profit Growth Reconciliation**

	12 Weeks Ended <u>3/24/2018</u>
Reported Operating Profit Growth	(3) %
Impact of Commodity Mark-to-Market Net Impact	6
Impact of Restructuring and Impairment Charges	(6)
Core Operating Profit Growth	(3)
Impact of One-Time Front Line Bonus <sup>(b)</sup>	4.5
Impact of Excluding NAB (without One-Time Front Line Bonus)	6
<b>Core Operating Profit Growth Excluding NAB and One-Time Front Line Bonus</b>	<b>7 %</b>

<sup>a)</sup> Represents the impact of the exclusion from net revenue of prior year sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded based on the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance.

<sup>(b)</sup> Bonus extended to certain U.S. employees in connection with the TCJ Act.

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**Developing and Emerging Markets Net Revenue Growth Reconciliations**

	Quarter Ended	
	3/24/2018	12/30/2017
Reported Net Revenue Growth	12 %	7 %
Impact of Foreign Exchange Translation	(5)	(1)
Impact of Acquisitions and Divestitures	1	—
Impact of Sales and Certain Other Taxes <sup>(a)</sup>	1	—
Organic Revenue Growth	<u>8 %</u>	<u>7 %</u>

**Net Revenue Year-over-Year Growth Reconciliations**

	12 Weeks Ended 3/24/2018			
	Reported Net Revenue Growth	Impact of Foreign Exchange Translation	Impact of Sales and Certain Other Taxes <sup>(a)</sup>	Organic Revenue Growth
<b>Latin America</b>				
Mexico	22 %	(12) %	— %	10 %
Brazil	15 %	3 %	— %	18 %
Argentina	(3) %	22 %	— %	20 %
<b>Asia, Middle East &amp; North Africa (AMENA)</b>				
China	DD %	(HSD) %	— %	DD %
India	DD %	(MSD) %	— %	DD %
Egypt	DD %	(LSD) %	— %	DD %
Pakistan	DD %	MSD %	— %	DD %
<b>Europe Sub-Saharan Africa (ESSA)</b>				
Turkey	11 %	2 %	3 %	17 %
Poland	40 %	(24) %	— %	17 %
Russia	HSD %	(MSD) %	— %	MSD %
South Africa	DD %	(DD) %	— %	MSD %
United Kingdom	DD %	(DD) %	— %	LSD %
Spain	DD %	(DD) %	LSD %	LSD %
France	DD %	(DD) %	LSD %	MSD %
Germany	DD %	(DD) %	— %	HSD %

**International Divisions Operating Profit Growth Reconciliation**

	12 Weeks Ended 3/24/2018		
	Latin America	ESSA	AMENA
Reported Operating Profit Growth	42 %	23 %	10 %
Impact of Restructuring and Impairment Charges	(16)	(1)	5
Core Operating Profit Growth	27	21	15
Impact of Foreign Exchange Translation	(10)	(13)	(4)
Core Constant Currency Operating Profit Growth	<u>17 %</u>	<u>9 %</u>	<u>10 %</u>

<sup>(a)</sup> Represents the impact of the exclusion from net revenue of prior year sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded based on the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance.

Note – Certain amounts above may not sum due to rounding.

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<b>Net Revenue Growth Reconciliation</b>	<u>Year Ended</u> <u>12/30/2017</u>
Reported Net Revenue Growth	1 %
Impact of Foreign Exchange Translation	—
Impact of Acquisitions and Divestitures	—
Impact of 53rd Reporting Week	1
Organic Revenue Growth	<u>2 %</u>

<b>Fiscal 2017 Diluted EPS Reconciliation</b>	<u>Year Ended</u> <u>12/30/2017</u>
Reported Diluted EPS	\$ 3.38
Commodity Mark-to-Market Net Impact	(0.01)
Restructuring and Impairment Charges	0.16
Provisional Net Tax Expense Related to the TCJ Act	1.70
Core Diluted EPS	<u>\$ 5.23</u>

<b>Net Cash Provided by Operating Activities Reconciliation (in billions)</b>	<u>2018</u> <u>Guidance</u>
Net Cash Provided by Operating Activities	\$ ~ 9
Net Capital Spending	~ (4)
Free Cash Flow	<u>~ 6</u>
Discretionary Pension Contributions	~ 1
Net Cash Tax Benefit Related to Discretionary Pension Contributions	~ —
Payments Related to Restructuring Charges	~ —
Net Cash Tax Benefit Related to Restructuring Charges	~ —
Free Cash Flow Excluding Certain Items	<u>\$ ~ 7</u>