



PEPSICO



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First Quarter 2010 Earnings Call



Safe Harbor Statement

Statements in this communication that are “forward-looking statements”, including PepsiCo’s 2010 guidance, are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo’s products, as a result of changes in consumer preferences and tastes or otherwise; damage to PepsiCo’s reputation; trade consolidation, the loss of any key customer, or failure to maintain good relationships with PepsiCo’s bottling partners; PepsiCo’s ability to hire or retain key employees or a highly skilled and diverse workforce; unstable political conditions, civil unrest or other developments and risks in the countries where PepsiCo operates; changes in the legal and regulatory environment; PepsiCo’s ability to build and sustain proper information technology infrastructure, successfully implement its ongoing business process transformation initiative or outsource certain functions effectively; unfavorable economic conditions and increased volatility in foreign exchange rates; PepsiCo’s ability to compete effectively; increased costs, disruption of supply or shortages of raw materials and other supplies; disruption of PepsiCo’s supply chain; climate change or changes in legal, regulatory or market measures to address climate change; PepsiCo’s ability to realize the anticipated cost savings and other benefits expected from the mergers with The Pepsi Bottling Group, Inc. and PepsiAmericas, Inc.; failure to renew collective bargaining agreements or strikes or work stoppages; and any downgrade of PepsiCo’s credit rating resulting in an increase of its future borrowing costs.

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Please refer to the “Investors” section of PepsiCo’s web site at www.pepsico.com under the heading “News & Events” to find disclosure and a reconciliation of any non-GAAP financial measures contained herein.



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Lynn A. Tyson
SVP, Investor Relations
PepsiCo, Inc.



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Indra Nooyi
Chairman and C.E.O.,
PepsiCo, Inc.



First Quarter 2010

- Confident in our ability to deliver full-year guidance, while investing behind long-term strategic platforms
- Making great progress against PepsiCo's seven strategic imperatives
- Solid first-quarter performance



PepsiCo's Seven Strategic Imperatives

- Expand global leadership in macrosnacks
- Ensure sustainable, profitable growth in global beverages
- Unleash the *power* of the “Power of One”
- Rapidly expand “Good for You” portfolio
- Deliver on our environmental and sustainability commitments
- Develop leadership to sustain future growth
- Enhance growth and create shareholder value



First Quarter 2010 Performance

- Constant currency net revenue grew 11 percent
- Core constant currency division operating profit grew 10 percent, reflecting improved costs and continued productivity
- Management operating cash flow, excluding certain items, up 40 percent to \$794 million
- Made incremental strategic investments to increase capacity, build infrastructure and drive innovation



Select Operating Highlights

- \$27 billion global macrosnacks business gained share in key markets
 - Grew the core and expanded into adjacencies
 - Launched “Better for You” innovation such as all-natural, regional flavors of Lay’s potato chips and whole-grain Tostitos in the U.S.
 - Continued to broaden our portfolio and expand margins in key areas, such as Frito-Lay North America
- North America Beverage trends improving across the board
- China beverages gained CSD share and led the industry with 14 percent volume increase; stepped up investments in coolers and brand building
- Drove progress against our environmental and sustainability goals
 - Announced “Dream Machine” on-the-go recycling initiative
 - Sun Chips launched the world’s first, 100% compostable snack bag, which reaches full distribution in the U.S. and Canada today



2010 Guidance

- On track to deliver 11 – 13 percent core constant currency EPS growth off of our fiscal 2009 core EPS of \$3.71
 - First-half/second-half story, overlapping strong performance in the first two quarters and will start to realize the benefits of improved performance and synergies in the second half of the year



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Hugh Johnston

Chief Financial Officer

PepsiCo, Inc.



Frito Lay North America

- Volume and constant currency net revenue grew 1 percent
- Core constant currency operating profit grew 9 percent
- FLNA grew operating margins, due to improved costs
- Facing difficult top line comps in Q2 and Q3 as FLNA overlaps pricing as well as its “20% More Free” initiative launched second-quarter 2009
- Increased investments in A&M and routes
- Anticipate robust bottom-line growth in 2010, although as expected, volume will be at the low-end of FLNA’s historical range



Quaker Foods North America

- Constant currency net revenue declined 3 percent
- Core constant currency operating profit declined 14 percent
- Stepped up innovation and value initiatives, which should drive stronger performance in the second half of the year



Latin America Foods

- Volume grew 1 percent
- Constant currency net revenue grew 8 percent
- Core constant currency operating profit declined 5 percent, as LAF lapped close to 30 percent core constant currency operating profit growth a year ago
- Investments in infrastructure, selective pricing and innovation to drive improved performance



PepsiCo Americas Beverages

- Quickly integrated PBG and PAS into one vertically integrated value chain
- Volume declined 4 percent, largely driven by CSD category dynamics and declines in unprofitable case water
- Constant currency net revenue grew 32 percent
- Core constant currency operating profit grew 28 percent



4 Beverage Consumer Need States





North America Beverages

- Focused on growing value share across four consumer need states: Enjoyment, Hydration, Nourishment and Transformation
 - Maintained volume share leadership in the *Enjoyment* category
 - Maintained volume share leadership in the *Hydration* category, ex-unflavored water, as Gatorade continued to show sequential improvement and SoBe Lifewater continued to perform
 - Improved performance trends in the *Nourishment* category, including in juice and juice drinks, on strength of Trop 50 and Tropicana Juicy Rewards promotion
 - Launched Amp Energy Juice in the *Transformation* category, a 100% juice morning wake up drink that fills a new beverage occasion for NAB



Bottler Integration Update

- On-track to capture \$125 - \$150 million in synergies this year
- Already seeing benefits in corporate overhead, back office, operations and supply chain
- Confident we can capture \$400 million in synergies by 2012
- Now expect one-time integration costs to achieve these synergies to be about \$650 million
 - \$225 million of which is non-cash



PepsiCo Europe

- Constant currency net revenue declined 3 percent
- Core constant currency operating profit grew 4 percent
- Snacks volume down 4 percent
- Beverage volume down 4 percent
 - Grew CSD share in Russia, UK, Turkey and Germany
- Bottling transaction closed after the end of Europe's first quarter, won't see benefits until second quarter
 - Already saw the *Power* of the "Power of One" in the quarter as our snack and beverage operating models moved closer together

PepsiCo AMEA



- All key markets delivered strong top-line growth in both snacks and beverages
- Constant currency net revenue grew 18 percent
- Core constant currency operating profit grew 12 percent
- Snacks volume grew 13 percent, driven by double-digit growth in India and China
- Beverage volume grew 10 percent reflecting strong momentum in India, China and other Asian markets
- Stepped up investments in China as we prepare to double our manufacturing capacity in the country

Certain Items Excluded From First Quarter Core Results Include*:



- Merger and integration charges of \$321 million, or \$0.16 per share
- Adjustment to fair value of inventory of \$281 million, or \$0.15 per share, related to the impact to cost of sales of the step-up to fair value of inventory and inventory hedges acquired from the bottlers
- One-time charge of \$145 million, or \$0.06 per share for SAP software write-off
- One-time charge of \$120 million, or \$0.07 per share, for currency devaluation in Venezuela
- One-time \$100 million, or \$0.04 per share, contribution to The PepsiCo Foundation

*Please see our Q1 2010 earnings release for a complete list of items excluded from our core results

PepsiCo First Quarter 2010 Earnings



First Quarter Below the Line

- Repurchased approximately \$940 million in common stock, or 14 million shares
 - \$205 million of the cost was paid in second quarter due to trade execution in final days of the first quarter
- First quarter core tax rate was 23 percent
 - Reported tax rate benefit of 2 percent, mostly driven by the bottling transactions



2010 Guidance

- 11 – 13 percent core constant currency EPS growth off of our fiscal 2009 core EPS of \$3.71
 - About 6 percent growth in core constant currency EPS in the first-half of the year, which includes a second quarter charge of about \$40 million related to health care legislation
 - Mid-teens growth in core constant currency EPS in the second half of the year
 - Based on current spot rates, foreign exchange translation would represent 1 percentage point unfavorable impact on the company's full-year, core constant currency EPS
- Full-year 2010 reported tax rate of 23-24 percent
- Full-year 2010 management operating cash flow, excluding certain items and net of capital expenditures, to be approximately \$5.6 billion
- Expect \$3.6 billion in net capital spending, including about \$200 million in capital investments related to the bottler integration
- Anticipate that share repurchases will total approximately \$4.4 billion in 2010



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