

Reconciliation of GAAP and Non-GAAP Information

Core and core constant currency results are non-GAAP financial measures as they exclude certain items noted below. Additionally, core constant currency organic net revenue growth is a non-GAAP financial measure as it includes the pro forma impact of the acquisitions of PBG and PAS in 2010 and excludes the impact of the acquisition of WBD in 2011. However, we believe investors should consider these measures as they are more indicative of our ongoing performance and with how management evaluates our operational results and trends.

Commodity mark-to-market net impact

In the year ended December 25, 2010, we recognized \$91 million of mark-to-market net gains on commodity hedges in corporate unallocated expenses. We centrally manage commodity derivatives on behalf of our divisions. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity.

Merger and integration charges

In the year ended December 25, 2010, we incurred merger and integration charges of \$799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD, including \$467 million recorded in the PAB segment, \$111 million recorded in the Europe segment, \$191 million recorded in corporate unallocated expenses and \$30 million recorded in interest expense. These charges also include closing costs, one-time financing costs and advisory fees related to the acquisitions. In addition, in the year ended December 25, 2010, we recorded \$9 million of charges, representing our share of the respective merger costs of PBG and PAS, recorded in bottling equity income.

Gain on previously held equity interests in PBG and PAS

In the first quarter of 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of \$958 million, comprising \$735 million which is non-taxable and recorded in bottling equity income and \$223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

Inventory fair value adjustments

In the year ended December 25, 2010, we recorded \$398 million of incremental costs, substantially all in cost of sales, related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date, including \$358 million recorded in the PAB segment and \$40 million recorded in the Europe segment.

Venezuela currency devaluation

As of the beginning of our 2010 fiscal year, we recorded a one-time \$120 million net charge related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar fuerte (bolivar). \$129 million of this net charge was recorded in corporate unallocated expenses, with the balance (income of \$9 million) recorded in our PAB segment.

Asset write-off for SAP software

In the first quarter of 2010, we recorded a \$145 million charge related to a change in scope of one release in our ongoing migration to SAP software. This change was driven, in part, by a review of our North America systems strategy following our acquisitions of PBG and PAS. This change does not impact our overall commitment to continue our implementation of SAP across our global operations over the next few years.

Foundation contribution

In the first quarter of 2010, we made a \$100 million contribution to The PepsiCo Foundation, Inc. (Foundation), in order to fund charitable and social programs over the next several years. This contribution was recorded in corporate unallocated expenses.

Interest expense incurred in connection with debt repurchase

In the year ended December 25, 2010, we paid \$672 million in a cash tender offer to repurchase \$500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt

repurchase, we recorded a \$178 million charge to interest expense, primarily representing the premium paid in the tender offer.

53rd week

In 2005 and 2000, we had an additional week of results (53rd week) as our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years.

Restructuring charges

In the fourth quarter of 2005, we recorded restructuring charges of \$83 million to reduce costs in our operations, principally through headcount reductions.

AJCA tax charge

In 2005, we recognized a tax charge related to our repatriation of international earnings under the provisions of the American Jobs Creation Act.

Adoption of accounting guidance on promotional payments

In 2002, we adopted accounting guidance on the classification of certain promotional payments. In connection with this adoption, net revenue and selling, general and administrative expenses were each reduced by \$3.1 billion. This adjustment was retrospectively applied to our fiscal 2000 results upon adoption.

Quaker merger, including restructuring and impairment charges

In 2001, PepsiCo merged with The Quaker Oats Company (Quaker). The merger was accounted for as a pooling-of-interests. In connection with the merger, our fiscal 2000 results were adjusted to include the results of operations as if the two companies had always been combined. Additionally, in connection with the merger, restructuring and impairment charges of \$184 million related to a project to upgrade and optimize Quaker's manufacturing and distribution capabilities across all of its North American businesses were retrospectively applied to our fiscal 2000 results.

Adoption of accounting guidance on derivative instruments

In 2001, we adopted accounting guidance on derivative instruments. In connection with this adoption, gains or losses on prepaid forward contracts, which are used to hedge a portion of our deferred compensation liability, were reclassified to selling, general and administrative expenses. These amounts were previously reported in interest income. This adjustment of \$17 million was retrospectively applied to our fiscal 2000 results.

Management operating cash flow

Additionally, management operating cash flow is the primary measure management uses to monitor cash flow performance. This is not a measure defined by GAAP. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities.

2011 and longer-term guidance

Our 2011 and longer-term core constant currency EPS guidance excludes the commodity mark-to-market net impact included in corporate unallocated expenses; merger and integration charges related to PBG, PAS and WBD; and the impact of the 53rd week in 2011. Our 2011 core constant currency organic net revenue guidance includes the pro forma impact of the acquisitions of PBG and PAS in 2010 and excludes the impact of the acquisition of WBD and the 53rd week in 2011. We are not able to reconcile our full-year projected 2011 and longer-term core constant currency net revenue and EPS guidance to our full-year projected 2011 and longer-term reported results because we are unable to predict the 2011 and longer-term impacts of foreign exchange or, with respect to the EPS guidance, the mark-to-market net gains or losses on commodity hedges, 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.

CAGNY 2011

Non-GAAP Reconciliations

(Dollars in millions, except per share amounts)

2000-2005 CAGR

	Net Revenue			Operating Profit			Diluted EPS		
	2005	2000	CAGR	2005	2000	CAGR	2005	2000	CAGR
As reported (GAAP basis)	\$ 32,562	\$ 22,337	8%	\$ 5,984	\$ 3,818	9%	\$ 2.39	\$ 1.42	11%
Restructuring charges	-	-		83	-		0.03	-	
AJCA tax charge	-	-		-	-		0.27	-	
Quaker merger, including restructuring and impairment charges	-	(5,041)		-	(409)		-	0.06	
Adoption of accounting guidance on promotional payments	-	3,142		-	-		-	-	
53rd week	(418)	(294)		(75)	(62)		(0.03)	(0.02)	
Adoption of accounting guidance on derivative instruments	-	-		-	17		-	-	
As adjusted for above items	<u>\$ 32,144</u>	<u>\$ 20,144</u>	10%	<u>\$ 5,992</u>	<u>\$ 3,364</u>	12%	<u>\$ 2.66</u>	<u>\$ 1.46</u>	13%

2005-2010 CAGR

	Net Revenue			Operating Profit			Diluted EPS		
	2010	2005	CAGR	2010	2005	CAGR	2010	2005	CAGR
As reported (GAAP basis)	\$ 57,838	\$ 32,562	12%	\$ 8,332	\$ 5,984	7%	\$ 3.91	\$ 2.39	10%
Mark-to-market	-	-		(91)	-		(0.04)	-	
Merger and integration charges	-	-		769	-		0.40	-	
Inventory fair value adjustments	-	-		398	-		0.21	-	
Gain on previously held equity interests	-	-		-	-		(0.60)	-	
Venezuela currency devaluation	-	-		120	-		0.07	-	
Asset write-off	-	-		145	-		0.06	-	
Foundation contribution	-	-		100	-		0.04	-	
Debt repurchase	-	-		-	-		0.07	-	
53rd week	-	(418)		-	(75)		-	(0.03)	
Restructuring charges	-	-		-	83		-	0.03	
AJCA tax charge	-	-		-	-		-	0.27	
As adjusted for above items	<u>\$ 57,838</u>	<u>\$ 32,144</u>	12%	<u>\$ 9,773</u>	<u>\$ 5,992</u>	10%	<u>\$ 4.13</u>	<u>\$ 2.66</u>	9%

	2000-2005 CAGR			2005-2010 CAGR		
	2005	2000	CAGR	2010	2005	CAGR
As reported (GAAP basis)	\$ 5,852	\$ 4,178	7%	\$ 8,448	\$ 5,852	8%
Capital spending	(1,736)	(1,352)		(3,253)	(1,736)	
Sales of property, plant and equipment	88	57		81	88	
Management operating cash flow	4,204	2,883		5,276	4,204	
Discretionary pension and retiree medical contributions (after-tax)	467	-		983	467	
Payments related to restructuring charges (after-tax)	-	-		20	-	
Merger and integration payments (after-tax)	14	24		299	14	
Foundation contribution (after-tax)	-	-		64	-	
Debt repurchase (after-tax)	-	-		112	-	
Capital investments related to the PBG/PAS integration	-	-		138	-	
Management operating cash flow, excluding above items	<u>\$ 4,685</u>	<u>\$ 2,907</u>	10%	<u>\$ 6,892</u>	<u>\$ 4,685</u>	8%

Note: certain amounts above may not sum due to rounding