

INVESTING FOR GROWTH

February 9, 2012



Indra Nooyi
Chairman and Chief Executive Officer

Hugh Johnston
Chief Financial Officer



Safe Harbor Statement of Terms and Non-GAAP Information

Safe Harbor Statement

Statements in this communication that are "forward-looking statements," including PepsiCo's 2012 guidance and long-term growth targets, are based on currently available information, operating plans and projections about future events and trends. Terminology such as "believe," "expect," "intend," "estimate," "project," "anticipate," "will" or similar statements or variations of such terms are intended to identify forward-looking statements, although not all forward-looking statements contain such terms. Forward-looking statements 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; PepsiCo's ability to compete effectively; unfavorable economic conditions in the countries in which PepsiCo operates; damage to PepsiCo's reputation; PepsiCo's ability to grow its business in developing and emerging markets or unstable political conditions, civil unrest or other developments and risks in the countries where PepsiCo operates; trade consolidation or the loss of any key customer; changes in the legal and regulatory environment; PepsiCo's ability to build and sustain proper information technology infrastructure, successfully implement its ongoing business transformation initiative or outsource certain functions effectively; fluctuations in foreign exchange rates; increased costs, disruption of supply or shortages of raw materials and other supplies; disruption of PepsiCo's supply chain; climate change, or legal, regulatory or market measures to address climate change; PepsiCo's ability to hire or retain key employees or a highly skilled and diverse workforce; failure to successfully renew collective bargaining agreements or strikes or work stoppages; failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo's existing operations; failure to successfully implement PepsiCo's global operating model; failure to realize anticipated benefits from our productivity plan; any downgrade of our credit ratings; and any infringement of or challenge to PepsiCo's intellectual property rights.

For additional information on these and other factors that could cause PepsiCo's actual results to materially differ from those set forth herein, please see PepsiCo's filings with the SEC, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Information

Unless otherwise indicated herein, all references to revenue, EPS growth, ROIC and division and total operating profit growth in this slide presentation are on a core constant currency basis. In addition, all comparisons are on a year-over-year basis unless otherwise noted.

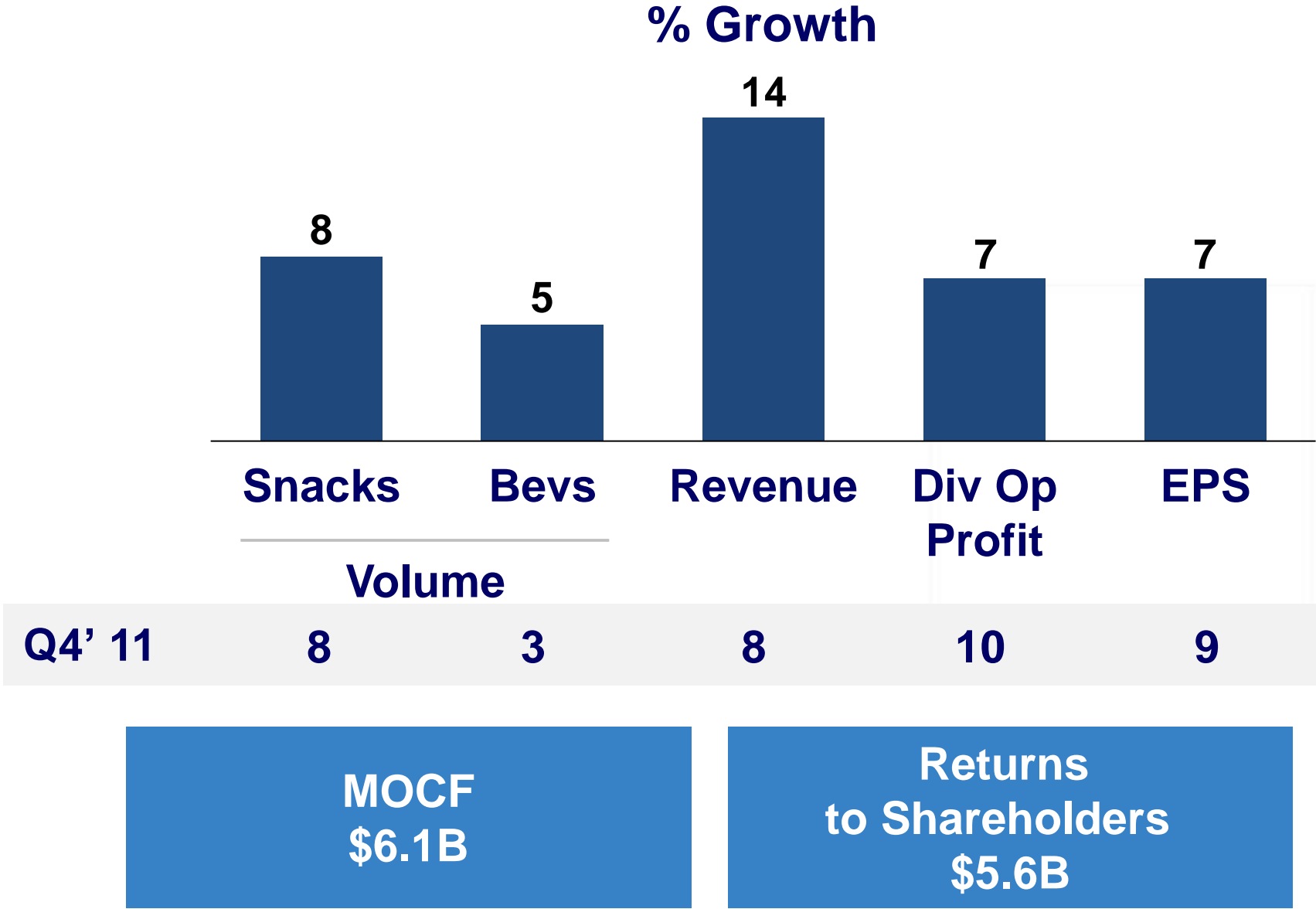
Please refer to the "Investors" section of PepsiCo's web site at www.pepsico.com under the heading "Investor Presentations" to find disclosure and a reconciliation of any non-GAAP financial measures contained herein.

Agenda

- **2011 Results / 5-Year Summary**
- **Company Profile / Strategic Priorities**
- **Operating Review: Scope, Findings, Go-Forward Plan**
- **2012 and Beyond – Financial Outlook**
- **Scorecard**

2011 RESULTS / 5-YEAR SUMMARY

2011 Full Year Results

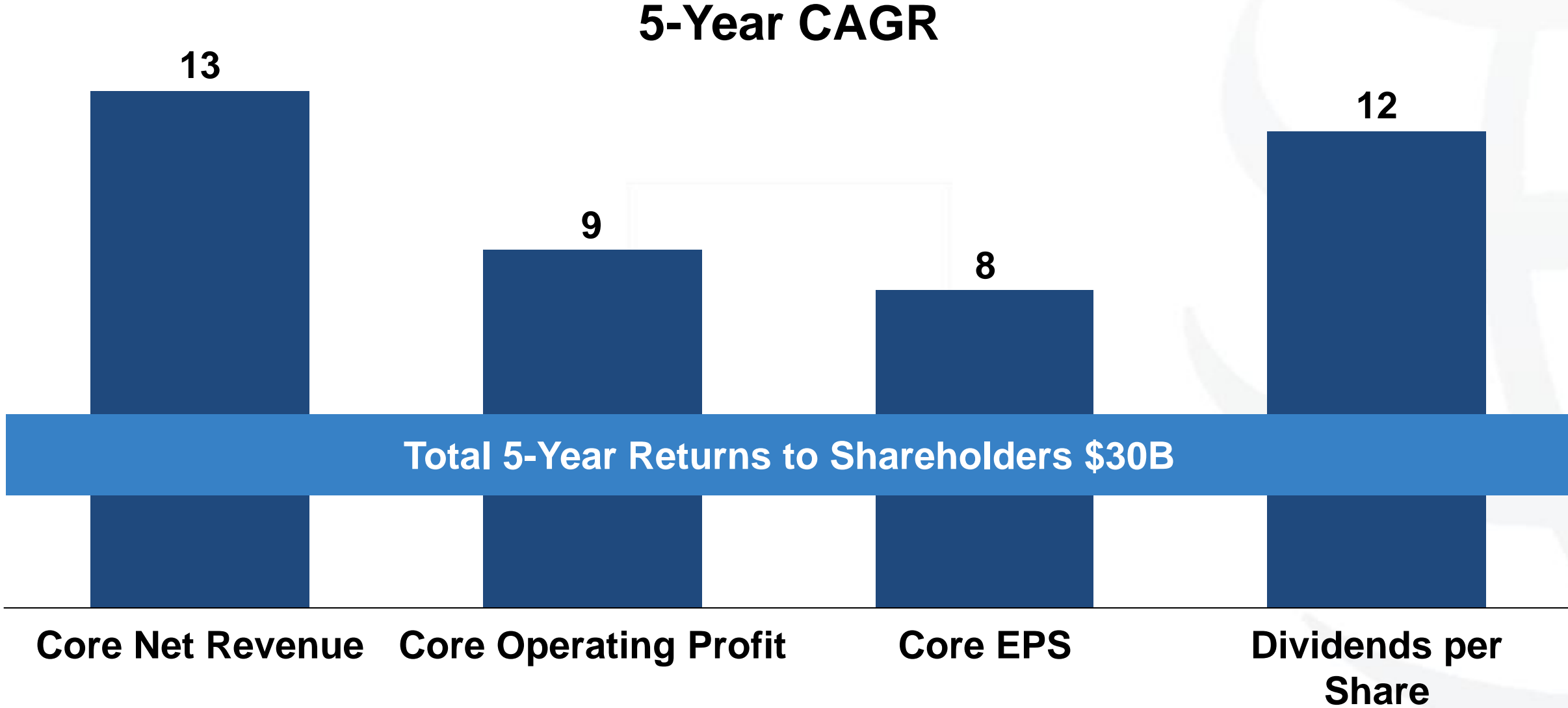


Core EPS \$4.40

- Broad-based gains
- Net revenue realization
- Disciplined investments
- Managed through difficult commodity environment
- Prudent cost controls
- Covered ~\$70MM externally-driven factors
- Acquisition of Wimm-Bill-Dann

Volume growth measures reflect an adjustment to the base year (2010) for divestitures that occurred in 2011 and exclude the impact of the extra week of results in 2011. Revenue, Division Operating Profit and EPS are on a core basis and MOCF excludes certain items; all represent Non-GAAP financial measures. For a description of these items, please refer to "Reconciliation of GAAP and non-GAAP Information" in the "Investors" section of PepsiCo's website at www.pepsico.com

2007-2011: Performance



Note: the above, except for dividends per share and cash returned to shareholders, are Non-GAAP financial measures that exclude certain items. For a description of these items, please refer to "Reconciliation of GAAP and non-GAAP Information" in the "Investors" section of PepsiCo's website at www.pepsico.com

2007-2011: Strengthened Portfolio



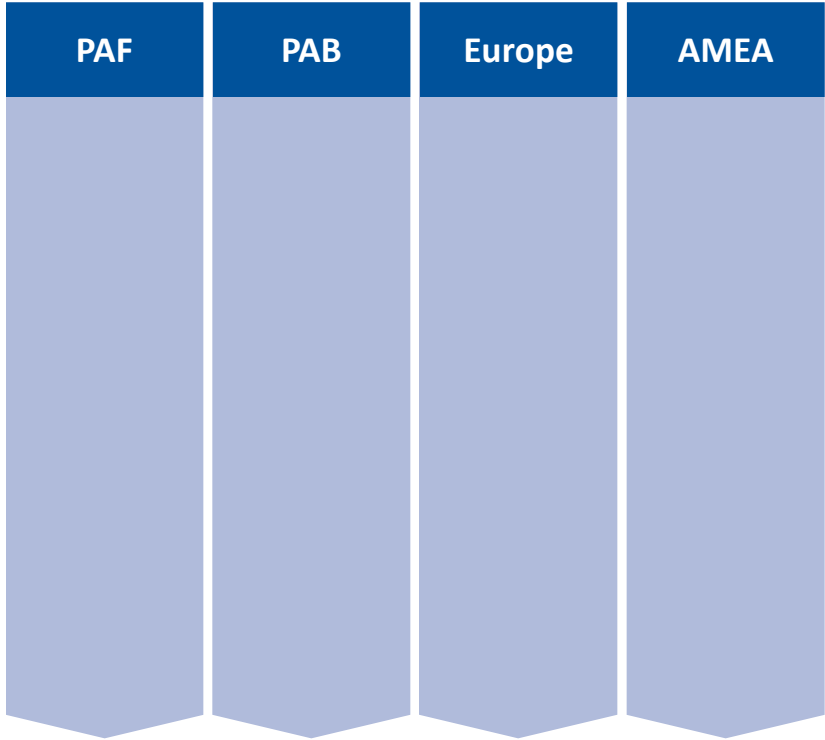
- Scaled up presence in Emerging and Developing markets
- Addressed multiple business issues that needed attention (NA Bottling, Gatorade, Mexico and China beverages)
- Developed long-term R&D capability and invested in ingredients, packaging and equipment breakthroughs
- Expanded portfolio of Health & Wellness offerings
- Continued SAP investments
- Put in place organization structure to leverage scale of PepsiCo

2007-2011+: Began Cultural Shift

From

To

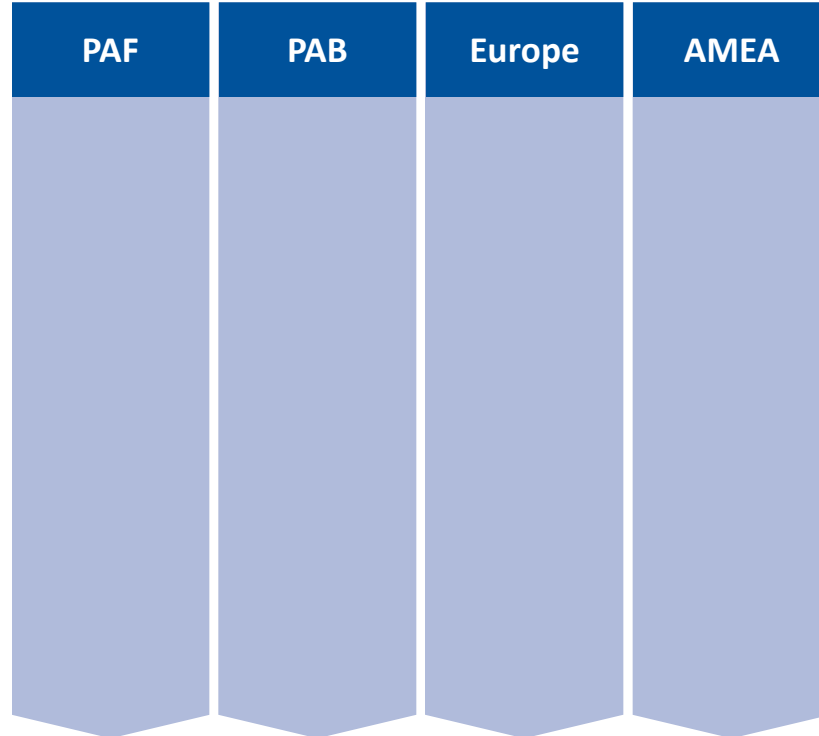
- Decentralized silos



Began Cultural Shift

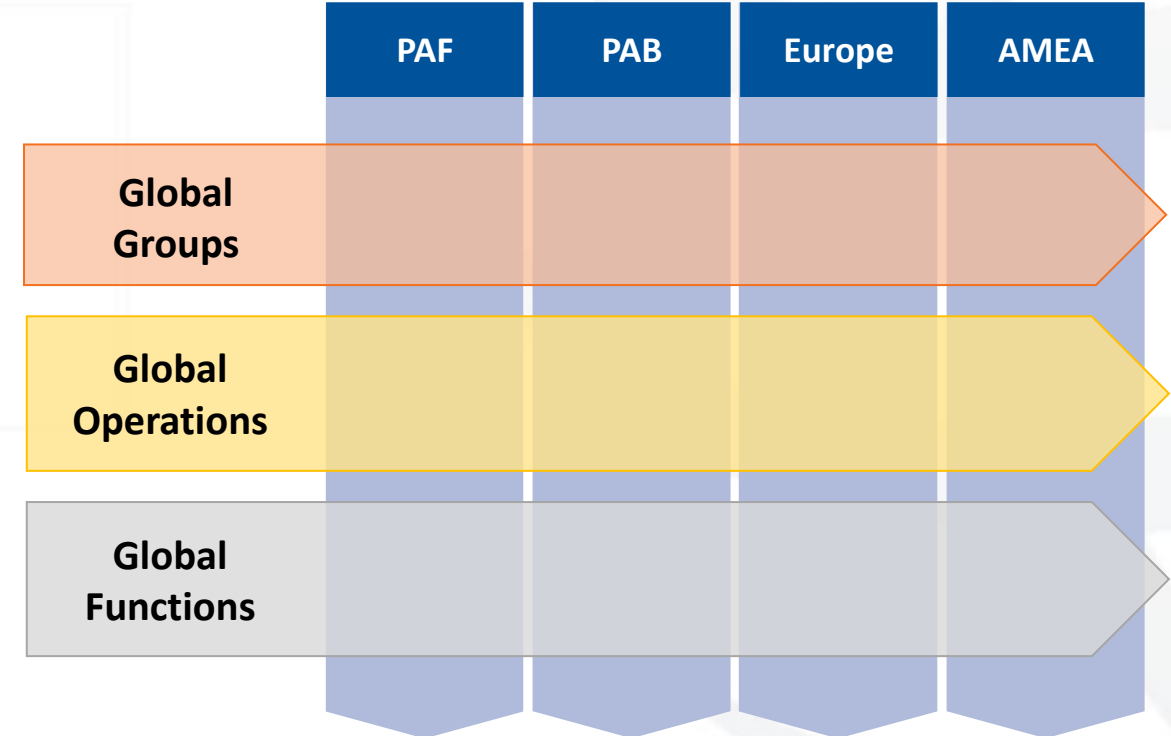
From

- Decentralized silos



To

- Connected autonomy



Flawless Marketplace Execution

P&L Ownership

Began Cultural Shift

From

- Decentralized silos
- Developed market dominant
- Trade spending / Push
- Emerging & Developing markets “pay as you go”
- Traditional people management

To

- Connected autonomy
- Global mindset
- Push / Pull
- Emerging & Developing markets a necessity; invest
- Strategic approach to “build, buy, bond” talent

Effecting changes through volatile macro environment

PepsiCo Today

Revenue	\$66B
Operating Margin	16%
Net ROIC	17%
ROE	31%

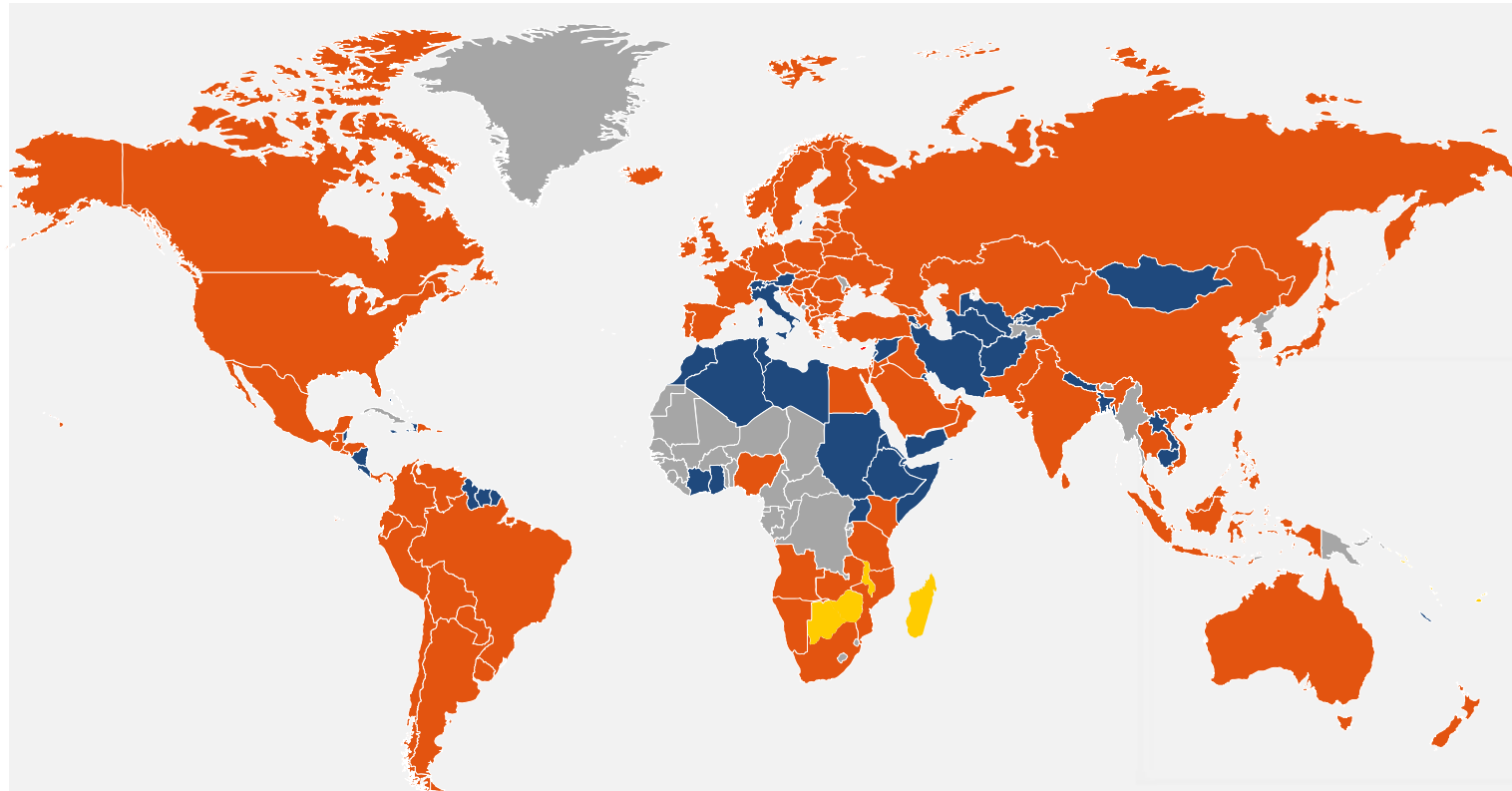
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Our Mission

To Captivate Consumers with the World's Most Loved and Best Tasting Convenient Foods and Beverages



Portfolio Advantages



Both Snacks only Beverages only No presence

- Position in attractive categories
- Complementary on trend businesses
- Broad brand portfolio
- Global footprint
- Tremendous reach in key markets



Our Strategic Priorities

1

Build and extend Macrosnacks globally

2

Sustainably and profitably grow our Beverage business worldwide

3

Leverage GFY brands / Health & Wellness category momentum to grow our Nutrition Business

4

Capitalize on cross-category presence to grow country positions

5

Ensure prudent and responsible financial management

Long-Term Goals

Top Tier TSR

- Revenue Growth MSD, mostly Organic
- Balanced offerings between FFY, BFY, GFY
- Increased Emerging & Developing Market Footprint

- EPS HSD
- Operating Margin +30-50 bps / year
- ROIC 50+ bps / year

- Core MOCF growth = Net Income growth
- Strong returns to shareholders (dividends and share repurchases)

Supporting Fundamentals:

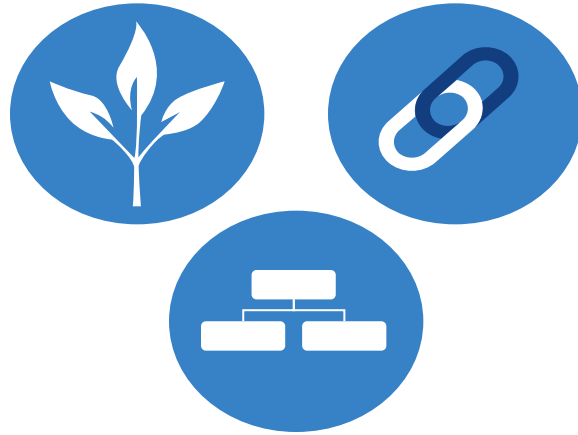
- World-Class Brand Building and Innovation
- Excellence in Execution
- Optimal Cost Structure and Capital Allocation
- Best Place to Work

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**OPERATING REVIEW:
SCOPE, FINDINGS, GO-FORWARD PLAN**

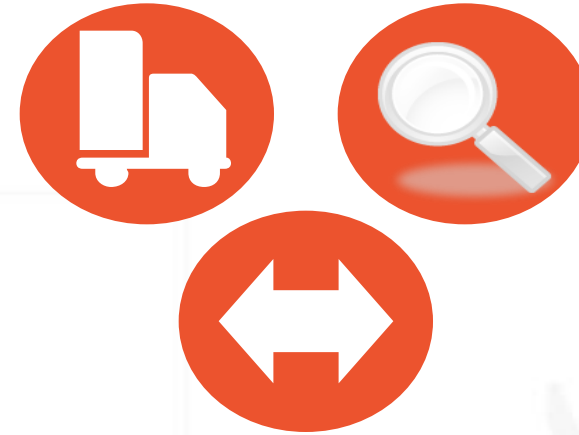
PepsiCo's Value is Maximized as ONE Company

Compelling Cost Leverage



- Procurement
- Supply Chain
- G&A

Accelerating Market Growth



- GTM / Customer interface
- Insights Sharing
- Platform for cross-category expansion

Extended/Amplified by Global Capabilities Sharing



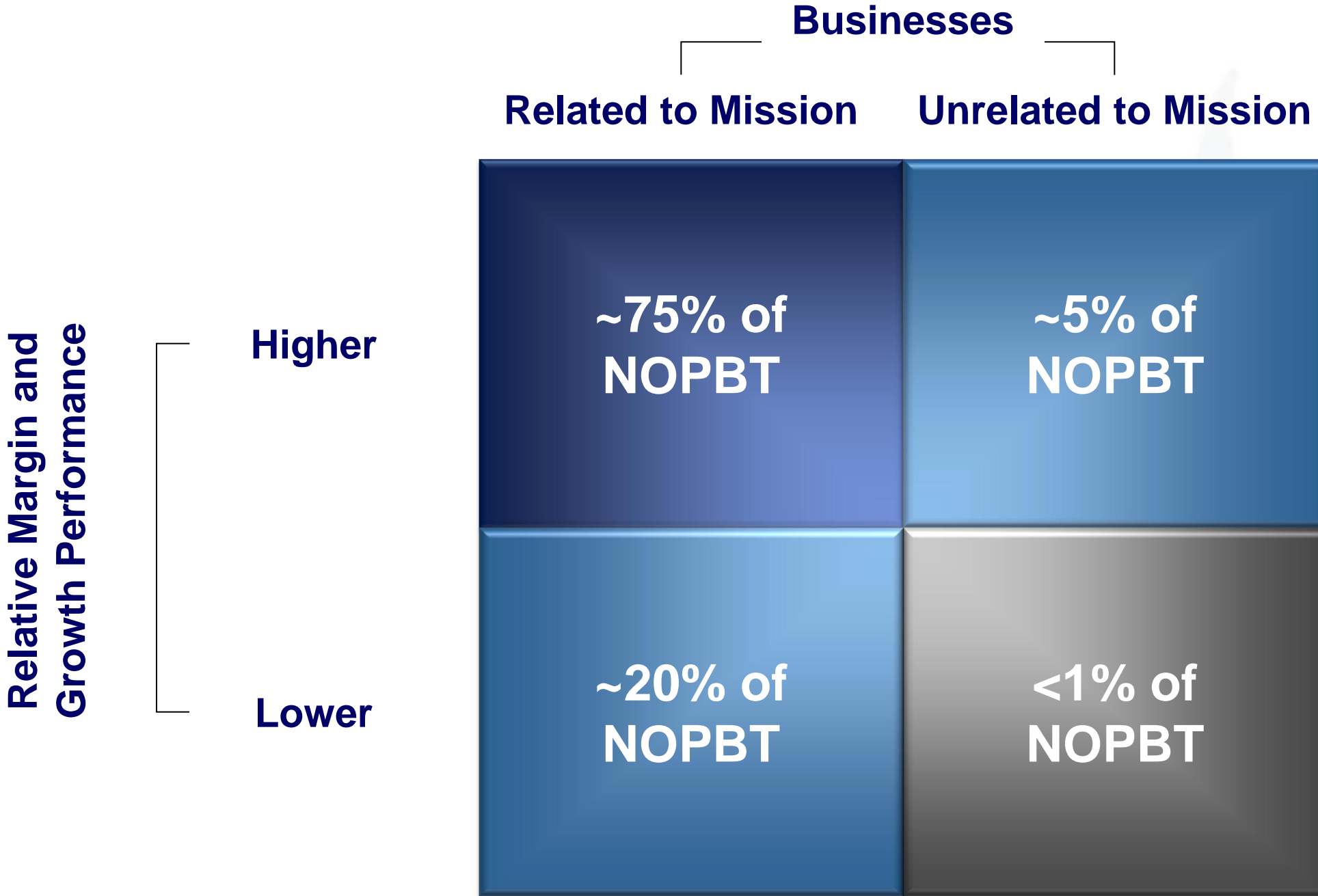
- Operational capabilities
- Talent sourcing

Annual synergies of operating as ONE PEP estimated at ~\$0.8-1.0B

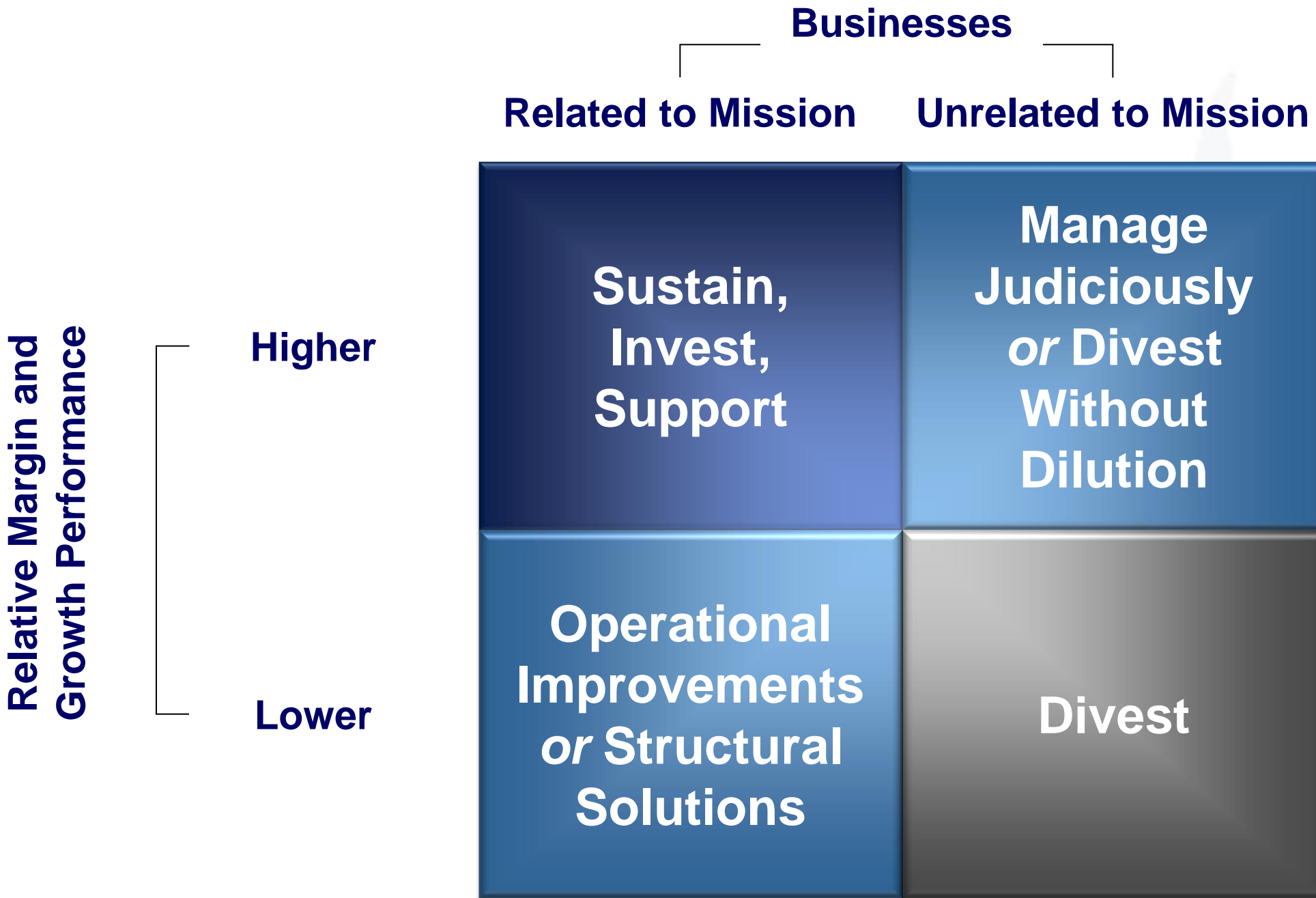
Operating Review: Portfolio

- What is the performance / trajectory of individual businesses / countries?
- How do we plan to sustain / improve performing businesses, and fix underperforming ones?
- What additional options exist to strengthen our portfolio?
- What is the optimal portfolio configuration to maximize shareholder value?

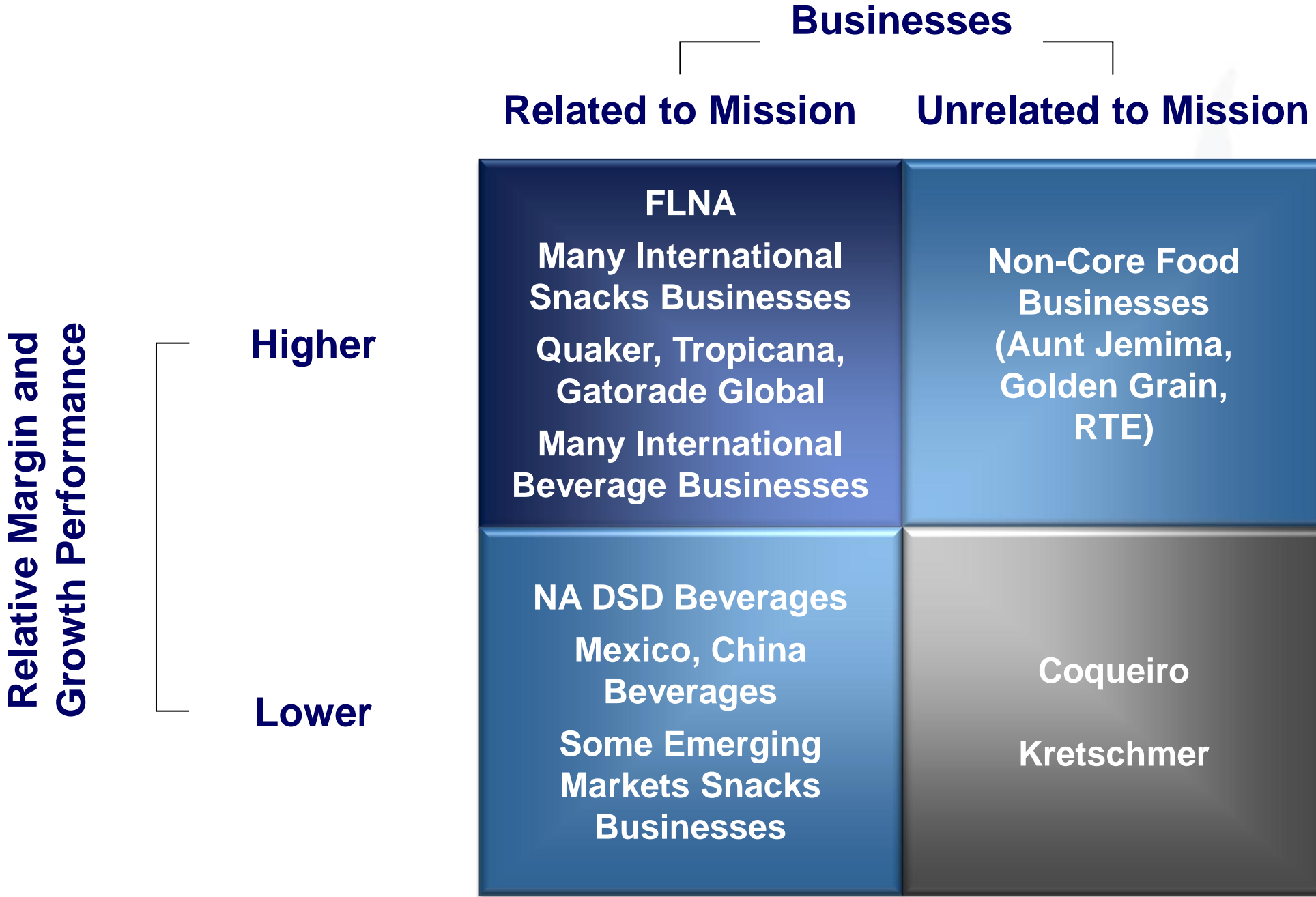
Portfolio Review



Portfolio Review



Portfolio Review: Business Examples



North American Beverages

Situation Review



- Large, profitable category
- Important traffic builder for retailers
- Competitive situation, commodity inflation have impacted margins / growth; increased volatility
- PepsiCo still #1 LRB share in retail; own 3 of 5 top LRB trademarks¹; #1 fastest growing major CSD (Mountain Dew)

¹ Based on dollar share

North American Beverages Share

Change in Volume Share of Total LRB (2007-2011)

	<u>PEP</u>	<u>Competition</u>
2008	-0.7%	0.1%
2009	-1.6%	-1.2%
2010	-0.7%	-0.8%
2011	-0.2%	0.1%

Source: IRI, GDMxC

North American Beverages

Go-Forward Plan



- Increase investment in A&M; focus brands
- Step-up product, packaging innovation; emphasis on revenue mgmt.
- Foodservice a priority growth opportunity
- Excellence in Execution
- Use snack business to leverage consumption coincidence
- Heighten productivity focus: \$500-600MM cost take-out over next 3 years
- Accelerate R&D activity to deliver cost breakthrough / new benefits
- Simultaneously evaluate structural options to improve returns

Hold, increase value share; increase ROIC

Supporting Fundamentals

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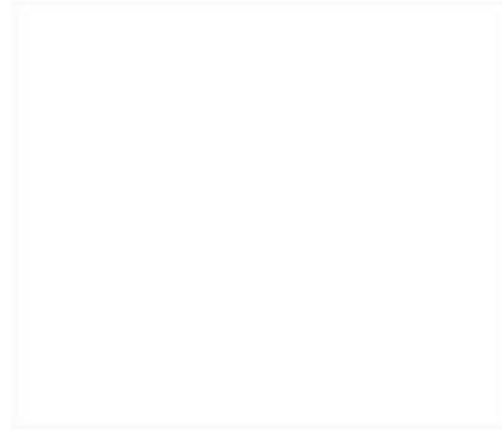
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Brand Building

- Refocus and streamline brand portfolio – reduce # of brands, sharpen consumer differentiation, drive greater incrementality
- Drive growth behind 12 Mega Brands globally – aligned positioning, consistent campaigns and scaled innovation platforms



Brand Building: 12 Mega Brands



Brand Building

- Refocus and streamline brand portfolio – reduce # of brands, sharpen consumer differentiation, drive greater incrementality
 - Drive growth behind 12 Mega Brands globally – aligned positioning, consistent campaigns and scaled innovation platforms
 - Jump-shift A&M spending now – a \$500-600MM consumer reset
 - Reset strategic agency relationships: 50%+ reduction in agency roster, joint performance metrics and institution of a pay for performance model
 - Common language, process and metrics with regards to brand equity tracking
-

Innovation



- How we innovate needs to change
- We are re-balancing our approach
 - Operate against specific goals for refresh, reframe, breakthrough
 - Changed stage gate process to incubate reframe/ breakthrough innovation
 - New growth ventures and incubation of new products
 - Global groups enabling more innovation platforms, lift and shift of ideas
 - Reverse innovation to jump shift value offerings
 - Restructuring relationship with data providers to pay for insights not data

Top line growth, price realization and value share

Execution



- Share and apply FLNA's best practices with North America bottling:
 - Increase inventory share in the store
 - Improve service levels and reduce costs
 - Ensure disciplined new product execution
- Drive and track coincidence of purchase between Snacks and Beverages

Execution: Drive and Track Co-Purchase of Snacks & Beverages

Shopper Co-Purchase
% Beverages & Snacks Retail Trips

Growth Opportunity
CSD/Snacks Co-Purchase Trips & Sales

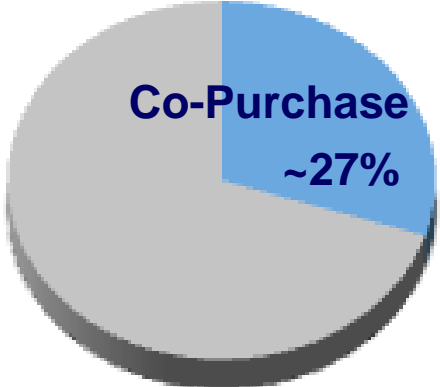
US Example

Co-Purchase Trips

CSDs



Salty Snacks



~\$12B

PEP Bev. and PEP Snack

~\$12B

20%

PEP Bev. or Snack

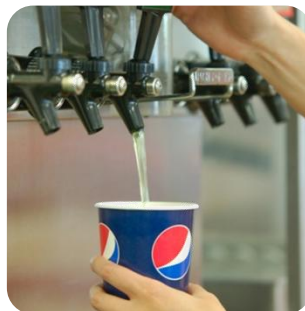
26%

All others

54%

**1 pt incremental share gain:
~\$120MM**

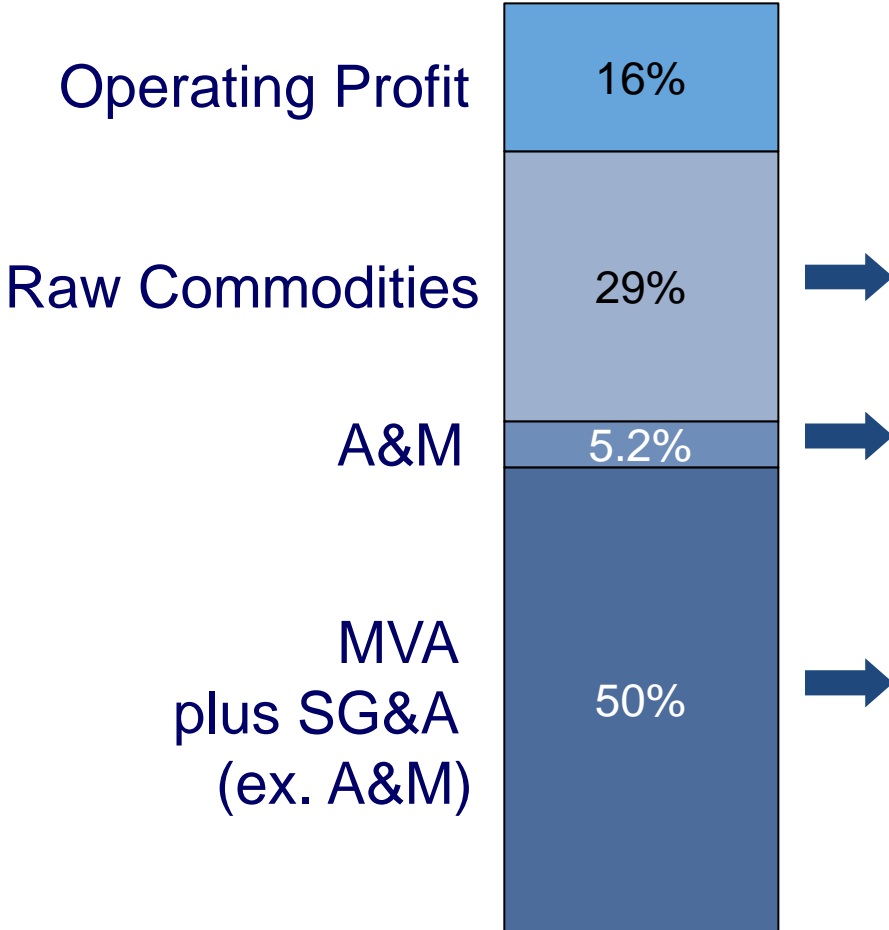
Execution



- Share and apply FLNA's best practices with North America bottling:
 - Increase share of inventory in the store
 - Improve service levels and reduce costs
 - Ensure disciplined new product execution
- Drive and track coincidence of purchase between Snacks and Beverages
- Increase push on local and regional Foodservice

Productivity

Goals



Systematic forward-buy to manage risk, increase cost visibility.
Relooking at approach



Increase to ~6% of net revenues by 2015



Deliver ~250-300 bps of operating cost improvement by 2014

Productivity: \$3B Cost Take-Out

Planned Actions

- Three year, \$3B productivity program...\$1.5B incremental to historical run rate
- Key elements
 - Reduce SG&A — fewer layers, broader spans
 - Consolidate manufacturing and warehousing facilities
 - Accelerate development and deployment of global projects (product, packaging, manufacturing)

Financial Results

(\$B)	<u>2012</u>	<u>2013/14</u>	<u>Cum.</u>
Total	1.1	1.9	3.0

**~250-300 bps
Operating Cost Improvement**

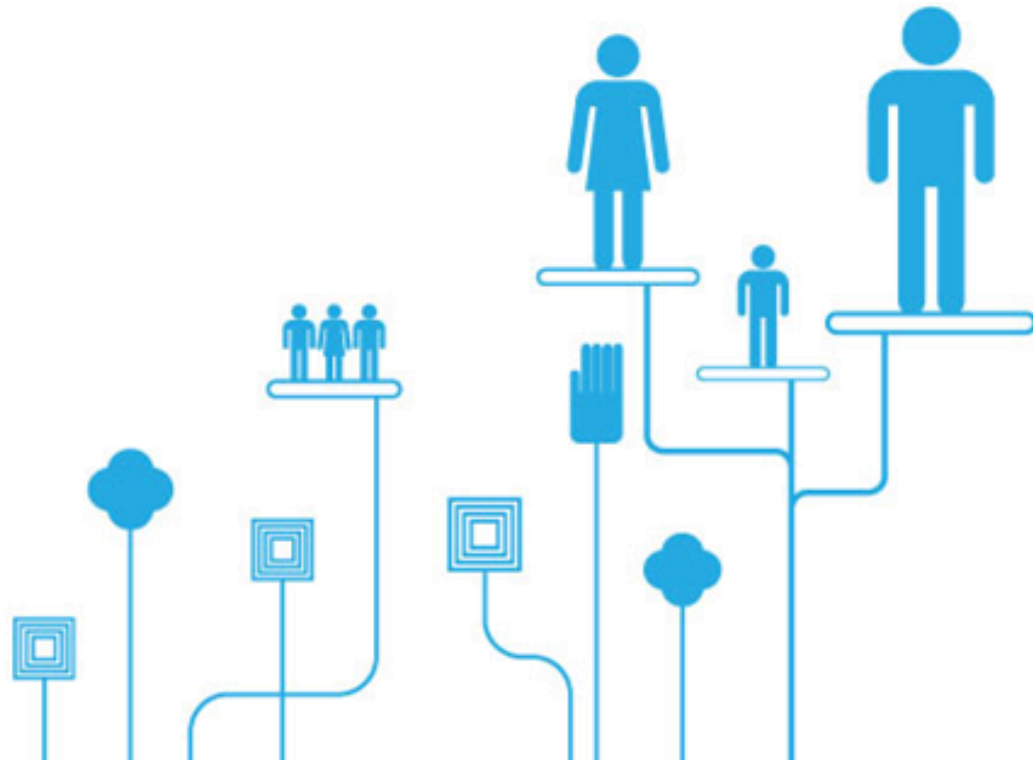
Productivity: Capital

-
- Drive CAPEX to $\leq 5\%$ of net revenue in 2012 and beyond
 - Reduce cash conversion cycles by 10%
 - Institutionalized EVA through operating units
-



Increase MOCF and ROIC

Organization & People



- PepsiCo an academy company
- Conduct organizational health survey annually
- Robust succession planning in place
 - Five-deep bench for top 200 roles
 - Accelerated development and retention plans for 500 high-potential executives and senior managers
 - CEO succession planning started CEO “Day 1”

Long-Term Goals

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- EPS HSD
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Long-Term Targets By Geography and Category

By Geography % Growth

By Business % Growth

	Revenue	Profit		Revenue	Profit	
Americas	Low to MSD	MSD	Snacks	MSD	Mid to HSD	
Europe	MSD	HSD		Beverages	Low to MSD	MSD
AMEA	LDD	Low to Mid DD				

Line of Business	6 - 7
Below-the-Line	1 - 2
EPS	7 - 9

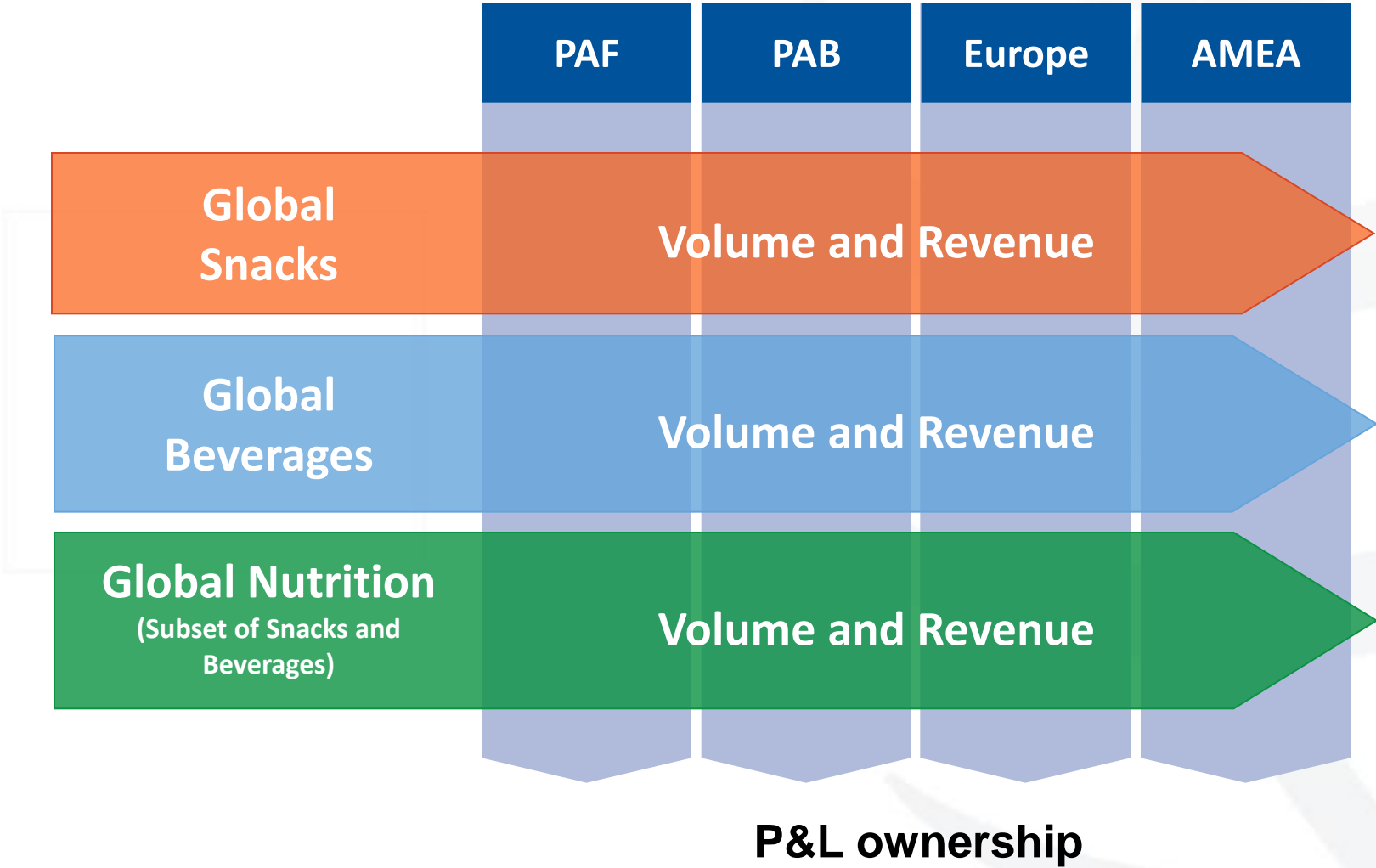
What We Will Do Differently In 2012

- Increase A&M spend by \$500-600MM; total marketplace spend \$600-700MM
- Focus brands; reduce number of agencies / strategic partnerships
- Hold / improve brand equity for Global 12
- Step-up level of innovation in the marketplace
- Deliver incremental \$500MM+ productivity (and \$1.5B over the next 3 years)
- Reduce Capex to 4.5% of net revenue - ~\$300MM lower than 2011
- Generate more than \$6B of MOCF
- Return ~\$3.3B in dividends - ~\$100MM increase over 2011
- Repurchase \$3B+ in shares - \$600MM+ over 2011
- All while navigating through additional commodity costs of ~\$1.5B

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Reporting Transparency

- High level of transparency already
- Will add disclosure of topline performance of global segments





**2012 AND BEYOND
FINANCIAL OUTLOOK**

2012: Reinvestment Year, External Headwinds

Long-Term Core EPS Growth Target (CC) HSD ~8%

Excess Commodity Inflation (9)

Increased Marketplace Investment (8)

Incremental Productivity +7

Higher Pension Costs (1)

Higher Interest and Taxes (2)

2012 Core EPS (CC) ~(5)%

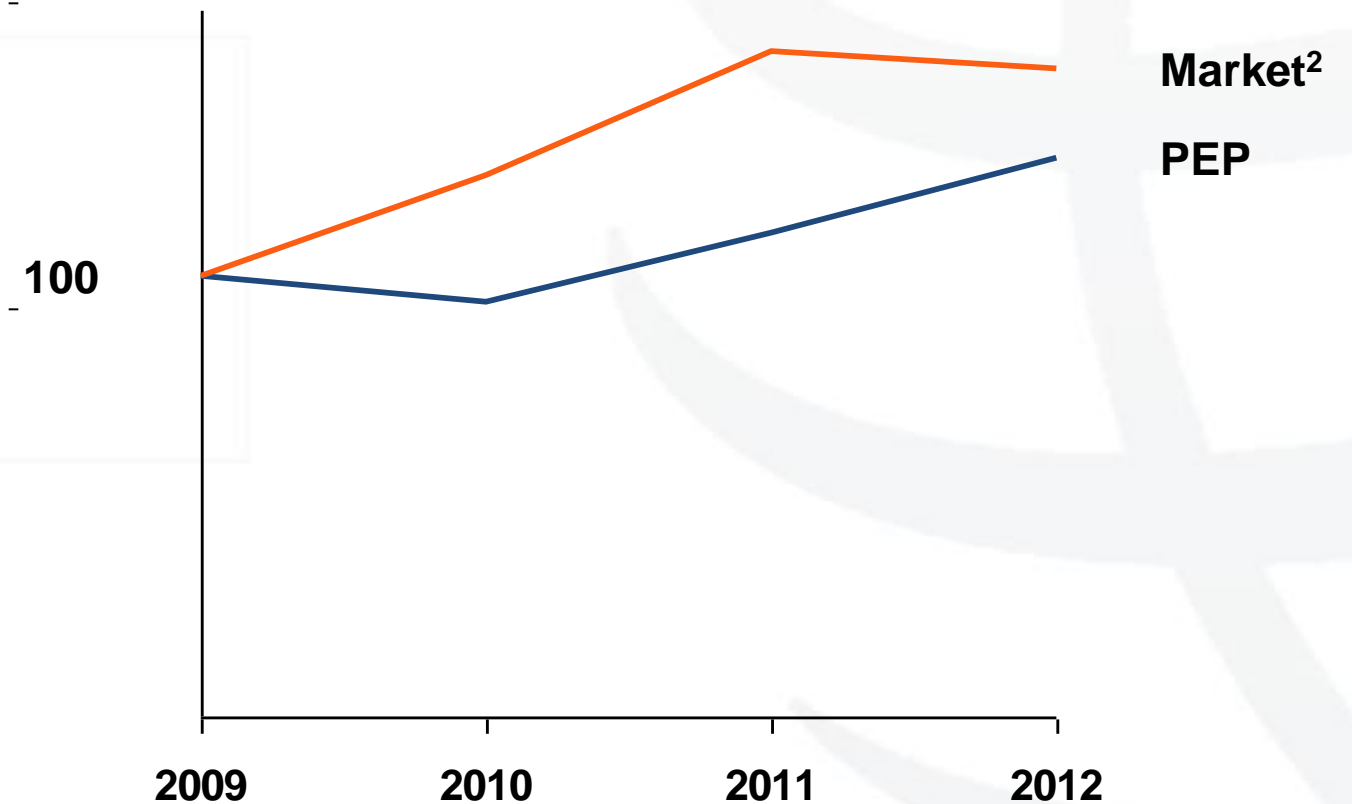
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PEP Commodity Inflation Higher Than Market In 2012

PEP 2012 Total Commodity Inflation

Market traded	~16%
Non market- traded	~4%
Conversion net of productivity	~(5)%
Total	~7%

Raw Commodity Inflation¹ Index vs. 2009



1. PEP market traded raw commodities plus PET, represents ~50% of total PEP raw commodity spend
2. Market prices as of 1/20/2012 market forward prices

Productivity Effort Delivers ~\$1.1B savings in 2012, ~\$3B by 2014

(\$MM)	<u>2012</u>	<u>2013/14</u>	<u>Cum</u>
Productivity	~1,100	~1,900	~3,000



(\$MM)	<u>2011</u>	<u>2012</u>	<u>2013/14+</u>	<u>Cum</u>
One-time Costs¹	383	~425	~100	~910
Cash Costs¹	30	~550	~175	~750

1. Non-core

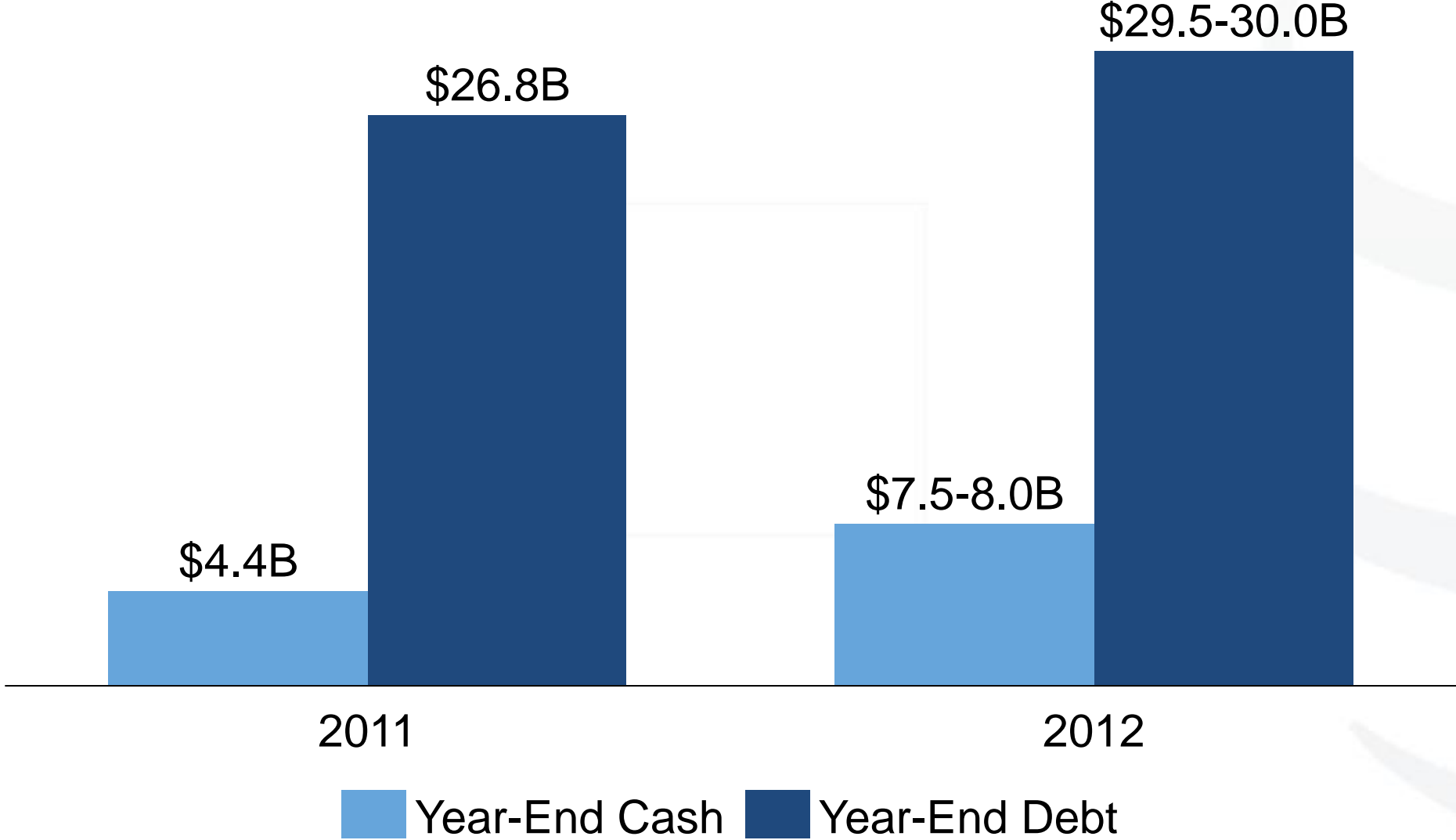
Below-the-Line Facing Several Headwinds in 2012, Partly Offset by Restructuring in Corporate G&A

- Pension +\$100MM
 - Discount rate decrease
 - Increase mitigated by \$1B voluntary pension and retiree medical contribution
- Net interest expense +\$200MM
 - Higher rates
 - Debt increase / term-out
 - Debt maturity mix
- Tax rate ~27%
- Corporate G&A savings fund productivity capability effort

Capital Allocation / Cash Returns

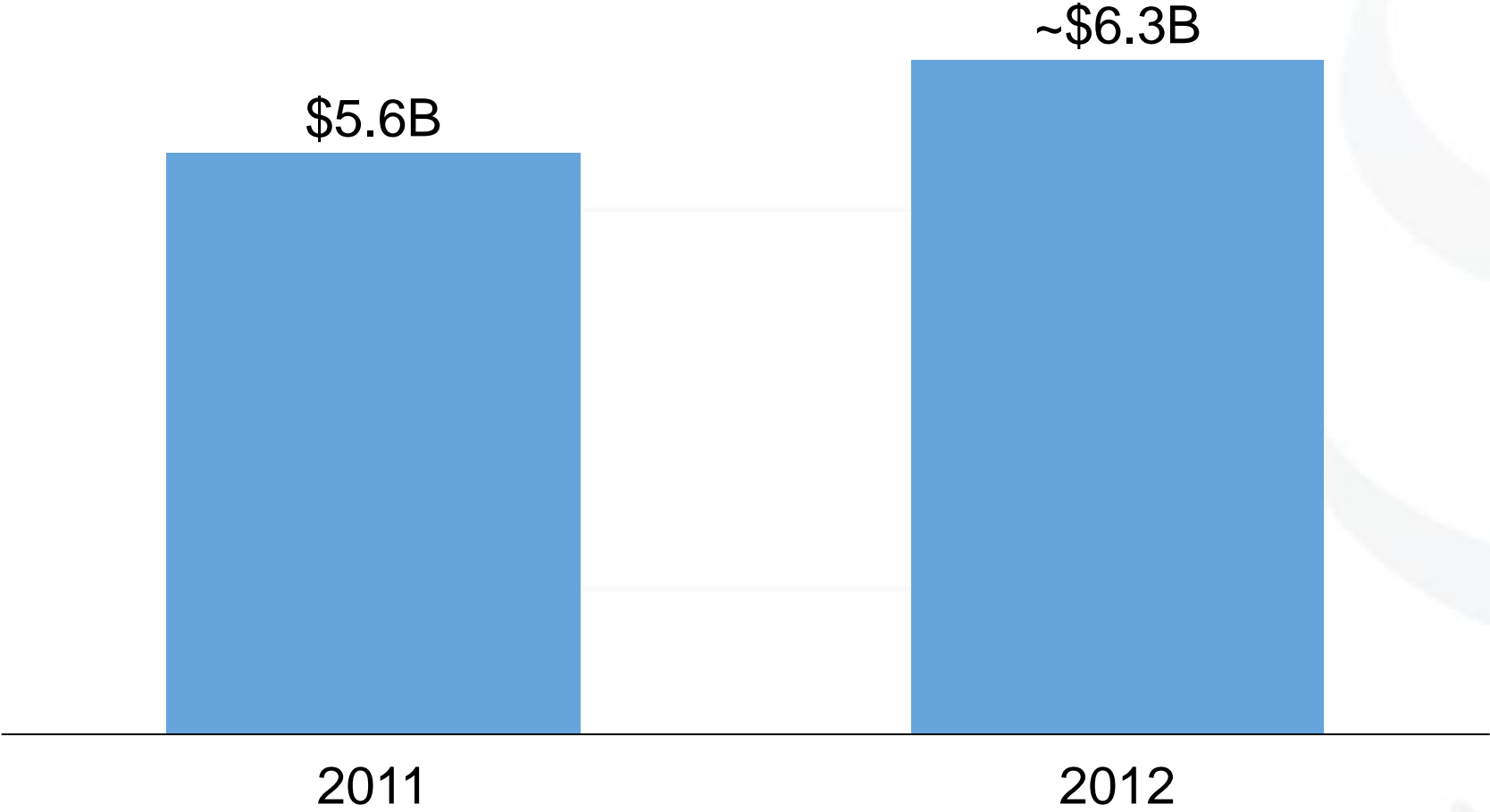
- Increase dividend by 4% - June 2012
- More than \$3B share repurchase in 2012
- Increase / 'term-out' debt taking advantage of low interest rate environment
- Limit tuck-in acquisitions, only in Emerging & Developing markets

Expect to Increase Debt in Line with Growth in Cash (Primarily International Cash)

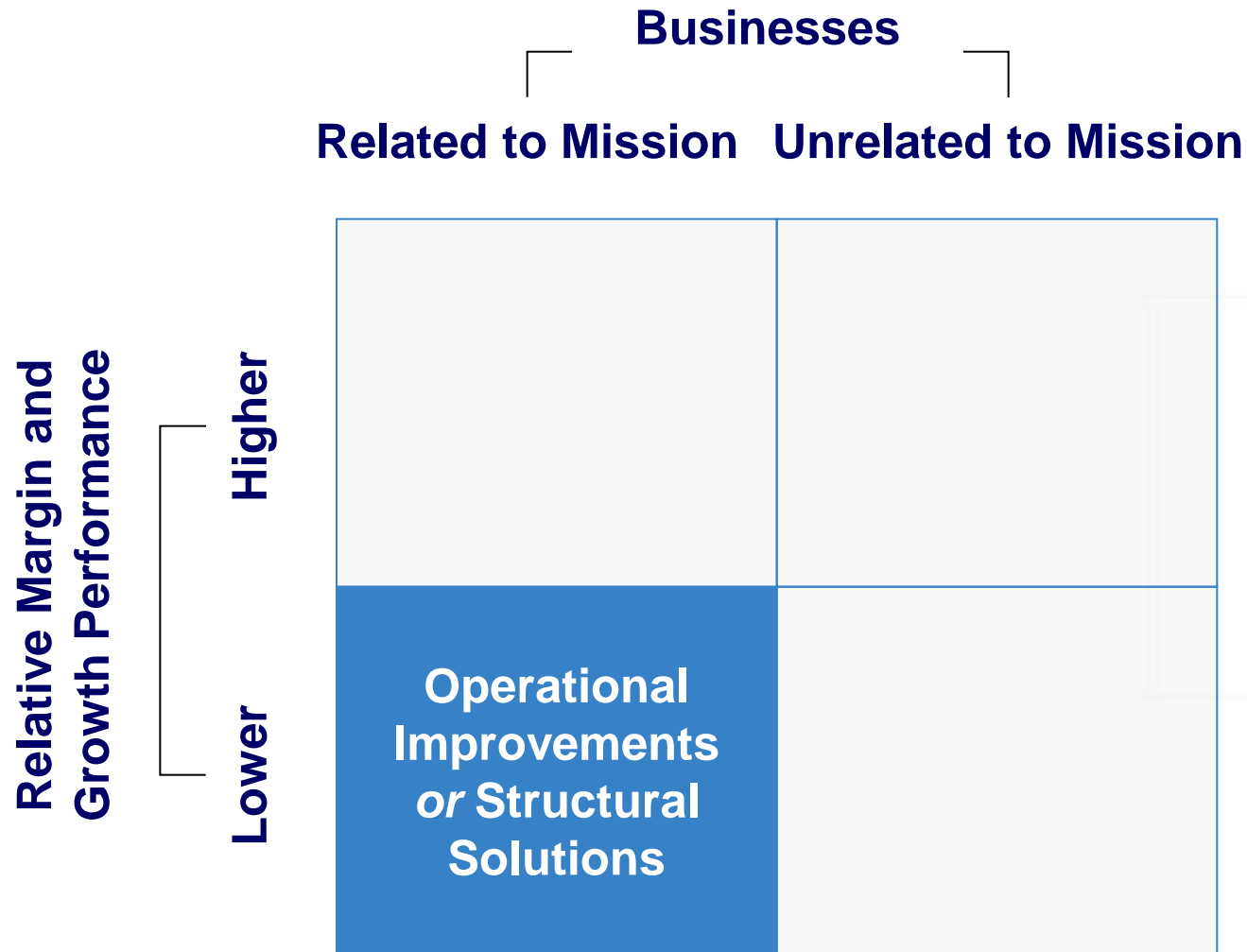


Cash numbers include cash, cash equivalents and short-term investments

Continued Strong Returns to Shareholders



Portfolio Review



Operational Improvements

- Within 12-18 months:
 - Hold or grow share
 - Achieve profitable growth
 - Improve ROIC

Structural Solutions

- Collaborations / Partnerships
- Joint Ventures
- Refranchising
- Divestitures

2012 Targets

EPS	(5)% Constant Currency ~3pt Fx headwind based upon market consensus forecast
CAPEX	\$3B (10% reduction vs. 2011)
MOCF	~\$6B (Even with 2011)
Return to Shareholders	Dividends ~\$3.3B Buybacks ~\$3B+

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Post-2012, Expect to Return to Long-Term Targets

	2012	Long-Term
Division Operating Profit (CC)	(2)%	6-7%
EPS (CC)	(5)%	HSD
CAPEX	4.5% NR	≤5% NR
MOCF	Even with 2011	In line with Net Income growth

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SCORECARD

Performance Scorecard

	Metric	Target	2012	2013+
Inputs	Brand Strength	• Improve brand equity scores on top 12 global brands	✓	✓
		• Hold / increase A&M as % of sales on 2012 base	✓	✓
	Innovation	• Increase sales of new products as % of total PEP sales		✓
	Execution	• Increase share of inventory	✓	✓
		• Increase coincidence of purchase	✓	✓
Cost and Capex	• Reduce operating costs by ~75+ bps/yr	✓	✓	
		• Sustain Capex ≤5% of revenue	✓	✓
Outputs	Value share	• Hold or grow	✓	✓
	EPS	• Deliver HSD growth		✓
	Net ROIC	• Improve by 50+ bps/yr		✓
	Operating Cash Flow	• Grow in line with net income on 3- year rolling basis		✓

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