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2009 Q3 Earnings Call

October 8, 2009



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Safe Harbor Statement



Statements in this communication that are “forward-looking statements”, including PepsiCo’s 2009 and 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: PepsiCo’s ability to consummate the acquisitions of The Pepsi Bottling Group, Inc. (“PBG”) and PepsiAmericas, Inc. (“PAS”) and to achieve the synergies and value creation contemplated by the proposed acquisitions; PepsiCo’s ability to promptly and effectively integrate the businesses of PBG, PAS and PepsiCo; the timing to consummate the proposed acquisitions and any necessary actions to obtain required regulatory approvals; the diversion of management time on transaction-related issues; changes in demand for PepsiCo’s products, as a result of shifts in consumer preferences or otherwise; increased costs, disruption of supply or shortages of raw materials and other supplies; unfavorable economic conditions and increased volatility in foreign exchange rates; PepsiCo’s ability to build and sustain proper information technology infrastructure, successfully implement its ongoing business process transformation initiative or outsource certain functions effectively; damage to PepsiCo’s reputation; trade consolidation, the loss of any key customer, or failure to maintain good relationships with PepsiCo’s bottling partners, including as a result of the proposed acquisitions; PepsiCo’s ability to hire or retain key employees or a highly skilled and diverse workforce; changes in the legal and regulatory environment; disruption of PepsiCo’s supply chain; unstable political conditions, civil unrest or other developments and risks in the countries where PepsiCo operates; and risks that benefits from PepsiCo’s Productivity for Growth initiative may not be achieved, may take longer to achieve than expected or may cost more than currently anticipated. 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.

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



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Indra Nooyi

Chairman & CEO, PepsiCo, Inc.

PepsiCo's 2009 & 2010 Guidance



- Reaffirming 2009 mid- to high-single-digit, constant currency net revenue and core constant currency EPS growth, off of core 2008 EPS of \$3.68
- Set 2010 performance target of 11 to 13 percent core constant currency EPS growth, assuming the closing of the PBG and PAS acquisitions in early 2010

PepsiCo Transformation



- Launched *Productivity for Growth initiative*
- Focused on margin management
- Refreshed North American beverage portfolio
- Reached agreement on anchor bottler acquisitions
- Continued to execute tuck-in acquisitions
- Executed generational management transitions and refreshed internal capabilities in priority areas

Third Quarter 2009



- Constant currency net revenue grew 5 percent
- Core constant currency division operating profit grew 8 percent
- Core constant currency EPS grew 8 percent



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2010: A Year to Reinvest



- Key areas for investment will include:
 - R&D to create products that feature true, science-based differentiation
 - Expanding our businesses in key emerging markets
 - Increased support behind a few, large global brands
 - SAP and IT infrastructure
 - Continue to invest in PepsiCo's associates to build capabilities
 - Environmental sustainability



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Richard Goodman
Chief Financial Officer,
PepsiCo, Inc.

Third Quarter Focus Areas



- Invested in value for our consumers
- Leveraged PepsiCo's agile Go-to Market system to adapt quickly to changes in the environment
- Continued to drive consumer-preferred innovation
- Exercised financial discipline and maintained a laser focus on productivity

Third Quarter and 2009 YTD



- Constant currency net revenue grew 5 percent in Q3 and YTD
- Core constant currency division operating profit grew 8 percent in Q3 and 7 percent YTD
- Core constant currency EPS grew 8 percent in Q3 and YTD
- Both overall gross margin and division operating margin grew in the quarter, as they did in the first half of the year
- Management operating cash flow, excluding certain items, grew 22 percent, year-to-date

PepsiCo Americas Foods



- PAF increased share in virtually every market and grew key long-term platforms outside of its core portfolio
- FLNA grew volume share off an already large base; delivered differentiated value to narrow price gaps significantly to competitors; and implemented targeted pricing and promotional activity
- LAF delivered solid results, despite challenging macroeconomic conditions



- Category dynamics continued to impact performance
- Highlights in the quarter include:
 - CSD portfolio achieved number one volume and value share position in U.S. measured channels
 - Enhanced water portfolio gained share, reflecting high double-digit volume gains in SoBe LifeWater
 - Gatorade volume improved sequentially, supported by strong G2 growth
 - LAB had another good quarter

PepsiCo International



- Another quarter of solid performance from PI, despite challenging macroeconomic environment
 - Double-digit constant currency net revenue and core constant currency operating profit growth across both Europe and AMEA
- Europe teams managed well through challenging macro conditions
 - Grew margins and profitability
 - Held or improved competitive positions across the region
- Asia Middle East Africa (AMEA) performed well
 - Strong volume, constant currency net revenue and core constant currency operating profit across snacks and beverages

Below the Line Items



- Core EPS of \$1.08
 - Included 24.7 percent tax rate
 - Primarily reflected favorable resolution of foreign tax matters
 - Expect full-year tax rate to be about 26 percent
- Continued to generate strong management operating cash flow
 - \$4.1 billion year-to-date, excluding certain items, a 22 percent increase over last year
 - On target to hit full-year cash flow guidance

2009 & 2010 Full-Year Guidance



- Reaffirming 2009 guidance of mid- to high-single-digit, constant currency net revenue and core constant currency EPS growth, off of core 2008 EPS of \$3.68
 - Foreign exchange, at current spot rates, would represent roughly a mid-single-digit headwind to full-year core constant currency EPS growth
 - Do not anticipate repurchasing shares for the balance of the year
- For 2010, targeting core constant currency EPS growth of 11 percent to 13 percent growth, including modest year-one accretion from bottling transactions
 - Excludes one-time costs to achieve synergies
 - Assumes, for simplification purposes, that the bottling transactions will close in early 2010. We do not yet have a definitive closing date.



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