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2008 Q4 Earnings Call

February 13, 2009

Safe Harbor Statement



This material may contain “forward-looking” statements about our expectations regarding future performance, such as our business outlook. These forward-looking statements 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 our 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; our ability to build and sustain proper information technology infrastructure, successfully implement our ongoing business process transformation initiative or outsource certain functions effectively; damage to our reputation; trade consolidation, the loss of any key customer, or failure to maintain good relationships with our bottling partners; our ability to hire or retain key employees or a highly skilled and diverse workforce; changes in the legal and regulatory environment; disruption of our supply chain; unstable political conditions, civil unrest or other developments and risks in the countries where we operate; and risks that benefits from our 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 our actual results to materially differ from those set forth herein, please see our filings with the Securities and Exchange Commission, including our 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. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Please refer 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.

Key Points



- Strong 2008 performance
 - Global snacks and beverage volume grew 3%
 - International beverage volume up 10%, International snacks up 5.5%
 - Net Revenue grew 10%
 - Core EPS grew 9%
 - \$7 billion cash flow
 - Returned \$7 billion to shareholders in dividends and share buy-backs

PEP Portfolio Performing Well



- FLNA's delivered 8% revenue growth and 7% core operating profit growth
- QFNA delivered 8% core operating profit growth
- LAF grew net revenue and core operating profit more than 20%
- LAB drove strong volume and core earnings growth
- PI delivered mid-teens core earnings growth
- NAB revitalization efforts well underway

Productivity for Growth



- On track to deliver a cumulative total of \$1.2 billion in savings by 2011
- Investing savings to drive long-term growth in key businesses:
 - Consumer value initiatives
 - Brand building
 - Long-term R&D
 - Flexibility to respond to changing environment

2009 Global Macroeconomic Environment



PepsiCo's Direct Store Delivery Advantage



- PepsiCo's DSD system provides huge competitive advantage across the globe
 - Unparalleled reach
 - Unmatched flexibility in response to changing consumer and competitive dynamics
 - Profitability & Cash flow benefits to retailers

Key Elements for 2009



- Deliver consumer value
- Generate top- and bottom-line growth in local currency
 - Net revenue management
 - Innovation
 - Cost discipline
 - Productivity
- Continue to invest in long-term growth
- Maintain maniacal focus on cash

Refresh North America Beverages



- Re-energize our brands
- Continue to innovate and introduce new products
- Flawlessly execute in-store transition in partnership with bottlers
- Enhance consumer value proposition
 - Optimize price/pack architecture
 - Strategic promotional calendar

Long-Term Performance Goals



- Mid-single-digit volume growth
- Revenue growth ahead of volume
- Core EPS growth of at least 10%

2009 Full-Year Guidance



- Mid- to high-single-digit, constant currency net revenue and core EPS growth
 - Assumes no PBG or PAS share sales in '09. In 2008, anchor bottler share sales impacted EPS growth by 2%.
- H2 profitability stronger than H1
 - Challenging overlaps in H1, particularly Q1
- Continue to generate strong cash flow
 - Returning cash to shareholders via dividends and share buy-backs



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John Compton

CEO, PepsiCo Americas Foods



- Frito Lay continues to be rock solid
 - Strong brands holding volume despite pricing actions to cover input costs
 - Enhancing consumer value proposition
- Optimistic that 2009 will be strong



- Latin American businesses continuing to perform well
 - Managing for value to drive growth
- Expanding healthy offerings at Quaker Foods
- Driving productivity across all our foods businesses



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Mike White

PepsiCo, Inc. Vice Chairman and
CEO, PepsiCo International



- Managing our businesses for performance in local currency
- Expecting continued solid constant currency performance in developed market snacks businesses
 - Running strong promotions
 - Monitoring price gaps
 - Managing Net Revenue
 - Driving productivity



- Expecting good growth in emerging markets and anticipate delivering solid local currency results
- Broad beverage and snack portfolio with flexible go-to-market systems
- Leverage from Power of One
- Optimistic about long-term prospects in emerging markets



- Strategic Almarai joint venture to develop opportunities in juice and dairy
 - Continue portfolio transformation with increased focus on health and wellness
 - PepsiCo to own 52%
- Strong value and innovation line-up across PI supported by cost discipline should continue to yield solid local currency results in 2009



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Massimo D'Amore
CEO, PepsiCo Americas Beverages



- Latin American beverage business performing well
- Revitalizing North American beverage business
 - Rejuvenated entire beverage line-up
 - Supported by strong marketing campaigns



- North American LRB category remains attractive
 - 20 billion cases and \$95 billion at retail
 - Delivers attractive profitability and cash flow
- Expect the category will continue to grow at least in-line with population
 - PepsiCo will lead category reinvention



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Richard Goodman
CFO, PepsiCo, Inc.

Productivity for Growth



- On track to deliver cumulative savings of \$1.2 billion by 2011
- \$350-\$400 million in 2009 expected savings to be invested across our businesses and to provide breathing room
- Investing in key markets to drive long-term growth

Input Costs



- Expect 6% commodity cost inflation
 - Beverage inflation will be lower than snacks inflation
- Anticipate improvement in second-half of 2009

2009 Full-Year Guidance



- Mid- to high-single-digit, constant currency net revenue and core EPS growth
 - At current rates, FX would represent 8% headwind to core EPS
 - Guidance assumes no PBG or PAS share sales in '09
 - Anticipate higher interest expense in 2009, due to acquisitions
 - Expect 2009 full-year tax rate to be approximately the same as 2008
- Making \$1 billion, discretionary pension contribution, with \$640 million after-tax cash impact
- Intend to spend up to \$2.5 billion repurchasing shares in 2009, subject to market conditions



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