

## **Reconciliation of GAAP and Non-GAAP Information (unaudited)**

In discussing financial results and guidance, the company may refer to certain measures not in accordance with Generally Accepted Accounting Principles (GAAP). Our non-GAAP measures exclude from reported results those items that management believes are not indicative of our ongoing performance and reflect how management evaluates our operating results and trends. Core results, core constant currency results and organic results are non-GAAP financial measures as they exclude certain items noted below. These measures are not, and should not be viewed as, substitutes for GAAP reporting measures.

### *Commodity mark-to-market net impact*

In the years ended December 27, 2014, December 28, 2013, and December 29, 2012, we recognized \$68 million and \$72 million of mark-to-market net losses and \$65 million of mark-to-market net gains, respectively, on commodity hedges in corporate unallocated expenses. We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses, as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit.

### *Restructuring and impairment charges*

#### *2014 Multi-Year Productivity Plan*

In the year ended December 27, 2014, we incurred restructuring charges of \$357 million in conjunction with the multi-year productivity plan we publicly announced on February 13, 2014 (2014 Productivity Plan). In the year ended December 28, 2013, we incurred restructuring charges of \$53 million in conjunction with our 2014 Productivity Plan. The 2014 Productivity Plan includes the next generation of productivity initiatives that we believe will strengthen our food, snack and beverage businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency.

#### *2012 Multi-Year Productivity Plan*

In the year ended December 27, 2014, we incurred restructuring charges of \$61 million in conjunction with the multi-year productivity plan we publicly announced on February 9, 2012 (2012 Productivity Plan). In the year ended December 28, 2013, we incurred restructuring charges of \$110 million in conjunction with our 2012 Productivity Plan. In the year ended December 29, 2012, we incurred restructuring charges of \$279 million in conjunction with our 2012 Productivity Plan. The 2012 Productivity Plan includes actions in every aspect of our business that we believe will strengthen our complementary food, snack and beverage businesses by: leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management.

### *Pension lump sum settlement charges*

In the year ended December 27, 2014, we recorded a pension lump sum settlement charge of \$141 million related to payments for pension liabilities to certain former employees who had vested benefits. In the year ended December 29, 2012, we recorded a pension lump sum settlement charge of \$195 million related to payments for pension liabilities to certain former employees who had vested benefits.

### *Venezuela remeasurement charges*

In the year ended December 27, 2014, we recorded a \$105 million net charge related to our remeasurement of the bolivar for certain net monetary assets of our Venezuela businesses. \$126 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$21 million) recorded in our Latin America segment.

In the year ended December 28, 2013, we recorded a \$111 million net charge related to the devaluation of the bolivar for our Venezuela businesses. \$124 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$13 million) recorded in our Latin America segment.

### *Merger and integration charges*

In the years ended December 28, 2013 and December 29, 2012, we incurred merger and integration charges of \$10 million and \$16 million, respectively, related to our acquisition of Wimm-Bill-Dann Foods OJSC.

### *Tax benefits*

In the year ended December 28, 2013, we recognized a non-cash tax benefit of \$209 million associated with our agreement with the Internal Revenue Service resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012. In the year ended December 29, 2012, we recognized a non-cash tax benefit of \$217 million associated with a favorable tax court decision related to the classification of financial instruments.

### *Restructuring and other charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)*

In the year ended December 29, 2012, we recorded restructuring and other charges of \$150 million in the Asia, Middle East and North Africa segment related to the transaction with Tingyi.

### *53rd Week Impact*

In 2011, we had an extra reporting week (53rd week). Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. The 53rd week increased net revenue by \$623 million and operating profit by \$109 million in the year ended December 31, 2011.

### *Free cash flow, excluding certain items*

Free cash flow (excluding the items noted in the Net Cash Provided by Operating Activities Reconciliation table) 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. Additionally, we consider certain other items (included in the Net Cash Provided by Operating Activities Reconciliation table) in evaluating free cash flow that we believe investors should consider in evaluating our free cash flow results.

### *2015 guidance*

Our 2015 core constant currency earnings per share (EPS) growth guidance exclude the commodity mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2015 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes. In addition, our 2015 organic revenue growth guidance and our 2015 core constant currency EPS growth guidance exclude the impact of foreign exchange. We are not able to reconcile our full year projected 2015 core constant currency EPS growth to our full year projected 2015 reported EPS growth because we are unable to predict the 2015 impact of foreign exchange or the mark-to-market net impact on commodity hedges due to the unpredictability of future changes in foreign exchange rates and commodity prices. We are also unable to reconcile our full year projected 2015 organic revenue growth to our full year projected 2015 reported net revenue growth because we are unable to predict the 2015 impact of foreign exchange due to the unpredictability of future changes in foreign exchange rates. Therefore, we are unable to provide a reconciliation of these measures.

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**PepsiCo, Inc. and Subsidiaries**  
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<b>Net Revenue Growth Reconciliation</b>	Year Ended		
	12/29/2012	12/28/2013	12/27/2014
Reported Net Revenue Growth	(1.5) %	1 %	— %
Impact of Acquisitions and Divestitures	3	1	—
Impact of Foreign Exchange Translation	2.5	2	3
53 <sup>rd</sup> Week	1	—	—
Organic Revenue Growth	<u>5 %</u>	<u>4 %</u>	<u>4 %</u>

<b>Operating Margin Reconciliation</b>	Year Ended
	12/27/2014
Reported Operating Margin	14.4 %
Impact of:	
Commodity Mark-to-Market Net Impact	0.1
Restructuring and Impairment Charges	0.6
Pension Lump Sum Settlement Charge	0.2
Venezuela Remeasurement Charges	0.2
Core Operating Margin	<u>15.5 %</u>

<b>2012 - 2014 Operating Margin Growth Reconciliation</b>	12/27/2014
Reported Operating Margin Growth	45 bps
Impact of:	
Commodity Mark-to-Market Net Impact	20
Restructuring and Impairment Charges	20
Pension Lump Sum Settlement Charge	(9)
Venezuela Remeasurement Charges	16
Restructuring and Other Charges Related to the Transaction with Tingyi	(23)
Merger and Integration Charges	(2)
Core Operating Margin Growth	<u>68 bps</u>

*Note - Certain amounts above may not sum due to rounding*

**PepsiCo, Inc. and Subsidiaries**  
**Reconciliation of GAAP and Non-GAAP Information (cont.)**  
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**Return on Invested Capital (ROIC) Reconciliation**

	Year Ended
	12/27/2014
Reported ROIC	13.2 %
Impact of:	
Cash, Cash Equivalents and Short-Term Investments	3.4
Interest Income After Tax	(0.1)
Commodity Mark-to-Market Net Impact	0.1
Venezuela Remeasurement Charges	0.2
Tax Benefits	0.1
Restructuring and Impairment Charges	0.5
Pension Lump Sum Settlement Charge	0.1
Core Net ROIC <sup>(a)</sup>	17.5 %

**2012 - 2014 ROIC Growth Reconciliation**

	12/27/2014
Reported ROIC Growth	(42) bps
Impact of:	
Cash, Cash Equivalents and Short-Term Investments	191
Tax Benefits	52
Restructuring and Impairment Charges	16
Commodity Mark-to-Market Net Impact	16
Venezuela Remeasurement Charges	17
Merger and Integration Charges	13
Restructuring and Other Charges Related to the Transaction with Tingyi	(34)
Pension Lump Sum Settlement Charge	(12)
Core Net ROIC Growth <sup>(a)</sup>	218 bps

*(a) Core Net ROIC represents core net income attributable to PepsiCo plus after-tax core net interest expense, divided by a quarterly average of invested capital less cash, cash equivalents and short-term investments adjusted for non-core items.*

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**PepsiCo, Inc. and Subsidiaries**  
**Reconciliation of GAAP and Non-GAAP Information (cont.)**  
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**Net Cash Provided by Operating Activities Reconciliation (in millions)**

	Year Ended		
	12/29/2012	12/28/2013	12/27/2014
Net Cash Provided by Operating Activities	\$ 8,479	\$ 9,688	\$ 10,506
Capital Spending	(2,714)	(2,795)	(2,859)
Sales of Property, Plant and Equipment	95	109	115
Free Cash Flow	5,860	7,002	7,762
Discretionary Pension and Retiree Medical Contributions (after-tax)	1,051	20	274
Merger and Integration Payments (after-tax)	63	21	—
Payments Related to Restructuring Charges (after-tax)	260	105	215
Net Payments Related to Income Tax Settlements	—	984	—
Net Capital Investments Related to Merger and Integration	10	(4)	—
Net Capital Investments Related to Restructuring Plan	26	8	8
Payments for Restructuring and Other Charges Related to the Transaction with Tingyi (after-tax)	117	26	—
Free Cash Flow Excluding Above Items	<u>\$ 7,387</u>	<u>\$ 8,162</u>	<u>\$ 8,259</u>

**Net Income Attributable to PepsiCo Reconciliation (in millions)**

	Year Ended		
	12/29/2012	12/28/2013	12/27/2014
Reported Net Income Attributable to PepsiCo	\$ 6,178	\$ 6,740	\$ 6,513
Commodity Mark-to-Market Net Impact	(41)	44	44
Merger and Integration Charges	12	8	—
Restructuring and Impairment Charges	215	129	316
Pension Lump Sum Settlement Charges	131	—	88
Venezuela Remeasurement Charges	—	111	105
Tax Benefits	(217)	(209)	—
Restructuring and Other Charges Related to the Transaction with Tingyi	176	—	—
Core Net Income Attributable to PepsiCo	<u>\$ 6,454</u>	<u>\$ 6,823</u>	<u>\$ 7,066</u>

	Three- year average	Year Ended		
		12/29/2012	12/28/2013	12/27/2014
Reported Cash Provided by Operating Activities as a Percentage of Net Income	147%	137%	144%	161%
Free Cash Flow Excluding Above Certain Items as a Percentage of Core Net Income	117%	114%	120%	117%

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**PepsiCo, Inc. and Subsidiaries**  
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**Operating Profit Reconciliation (in millions)**

	GAAP Measure	Non-Core Adjustments				Non-GAAP Measure	
	Reported					Core	
<b>Operating Profit</b>	Year Ended 12/27/2014	Commodity mark-to-market net impact	Restructuring and impairment charges	Pension lump sum settlement charge	Venezuela remeasurement charges	Year Ended 12/27/2014	% of Division Operating Profit
Frito-Lay North America	\$ 4,054	\$ —	\$ 48	\$ —	\$ —	\$ 4,102	36 %
Quaker Foods North America	621	—	14	—	—	635	6
North America Beverages	2,421	—	179	—	—	2,600	23
Latin America	1,636	—	28	—	(21)	1,643	14
Europe Sub-Saharan Africa	1,389	—	71	—	—	1,460	13
Asia, Middle East and North Africa	985	—	37	—	—	1,022	9
<b>Division Operating Profit</b>	<b>11,106</b>	<b>—</b>	<b>377</b>	<b>—</b>	<b>(21)</b>	<b>11,462</b>	<b>100 %</b>
Corporate Unallocated	(1,525)	68	41	141	126	(1,149)	
<b>Total Operating Profit</b>	<b>\$ 9,581</b>	<b>\$ 68</b>	<b>\$ 418</b>	<b>\$ 141</b>	<b>\$ 105</b>	<b>\$ 10,313</b>	

**Diluted EPS Growth Reconciliation**

	Year Ended			Growth	
	12/27/2014	12/28/2013	12/29/2012	2014	2013
Reported Diluted EPS	\$ 4.27	\$ 4.32	\$ 3.92	(1)%	10 %
Commodity Mark-to-Market Net Impact	0.03	0.03	(0.03)		
Merger and Integration Charges	—	0.01	0.01		
Restructuring and Impairment Charges	0.21	0.08	0.14		
Pension Lump Sum Settlement Charge	0.06	—	0.08		
Venezuela Remeasurement Charges	0.07	0.07	—		
Tax Benefits	—	(0.13)	(0.14)		
Restructuring and Other Charges Related to the Transaction with Tingyi	—	—	0.11		
Core Diluted EPS	<b>\$ 4.63</b>	<b>\$ 4.37</b>	<b>\$ 4.10</b>	<b>6</b>	<b>7</b>
Impact of Foreign Exchange Translation				3	2
Core Constant Currency Diluted EPS Growth				<b>9 %</b>	<b>9 %</b>

**Net Cash Provided by Operating Activities Reconciliation (in billions)**

	2015 Guidance
Net Cash Provided by Operating Activities	\$ ~ 10
Net Capital Spending	~ 3
Free Cash Flow	~ 7
Certain Other Items <sup>(a)</sup>	~ —
Free Cash Flow, Excluding Certain Other Items	<b>\$ ~ 7</b>

*(a) Certain other items include discretionary pension and retiree medical contributions, payments related to restructuring charges, net capital investments related to restructuring plan and the tax impacts associated with each of these items, as applicable.*

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<b>Europe Sub-Saharan Africa Net Revenue Growth Reconciliation</b>	<u>Year Ended</u> 12/27/2014
Reported Net Revenue Growth	(3) %
Impact of Foreign Exchange Translation	8
Organic Revenue Growth	<u>5 %</u>

<b>Frito-Lay North America 2009-2014 Operating Profit 5-Year CAGR Reconciliation</b>	<u>2009-2014</u>
Reported Operating Profit CAGR	5.5 %
Impact of Restructuring and Impairment Charges	0.2
Core Operating Profit CAGR	<u>5.7 %</u>

<b>Frito-Lay North America 2009-2014 Operating Margin Growth Reconciliation</b>	<u>2009-2014</u>
Reported Operating Margin Growth	3.0 pts
Impact of Restructuring and Impairment Charges	0.3
Core Operating Margin Growth	<u>3.3 pts</u>

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