PepsiCo, Inc. Q4 2016 Earnings Call
Reconciliation of GAAP and Non-GAAP Information (unaudited)[1]

In discussing financial results and guidance, we refer to core results, core constant currency results, organic results, free cash flow and free cash flow excluding certain items which are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We use these non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs; asset impairments (non-cash); amounts related to the resolution of tax positions; pension and retiree medical related items; debt redemptions; and remeasurements of net monetary assets. See below for a description of adjustments to our U.S. GAAP financial measures included herein.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

Commodity mark-to-market net impact

In the years ended December 31, 2016, December 26, 2015, and December 28, 2013, we recognized $167 million and $11 million of mark-to-market net gains, and $72 million of mark-to-market net losses, 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 years ended December 31, 2016, December 26, 2015 and December 28, 2013, we incurred restructuring charges of $160 million, $169 million and $53 million, respectively, in conjunction with the multi-year productivity plan we publicly announced in 2014 (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. The 2014 Productivity Plan is in addition to the productivity plan we began implementing in 2012 and is expected to continue the benefits of that plan.

[1] *For a full discussion of our fourth quarter and full-year 2016 financial results, including definitions we use in discussing our financial results, please refer to our press release, issued February 15, 2017.*

2012 Multi-Year Productivity Plan

In the years ended December 26, 2015 and December 28, 2013, we incurred restructuring charges of $61 million and $110 million, respectively, in conjunction with the multi-year productivity plan we publicly announced in 2012 (2012 Productivity Plan). The 2012 Productivity Plan included actions in every aspect of our business that we believed would 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. The 2012 Productivity Plan has enhanced PepsiCo's cost-competitiveness and provided a source of funding for future brand-building and innovation initiatives.

Charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)

In the year ended December 31, 2016, we recorded a pre- and after-tax impairment charge of $373 million to reduce the value of our 5% indirect equity interest in Tingyi-Asahi Beverages Holding Co. Ltd. (TAB) to its estimated fair value.

In the year ended December 26, 2015, we recorded a pre- and after-tax charge of $73 million related to a write-off of the recorded value of a call option to increase our holding in TAB to 20%.

Charge related to debt redemption

In the year ended December 31, 2016, we paid $2.5 billion to redeem all of our outstanding 7.900% senior notes due 2018 and 5.125% senior notes due 2019 for the principal amounts of $1.5 billion and $750 million, respectively, and terminated certain interest rate swaps. As a result, we recorded a pre-tax charge of $233 million to interest expense, primarily representing the premium paid in accordance with the "make-whole" redemption provisions.

Pension-related settlements

In the year ended December 31, 2016, we recorded a pension settlement charge of $242 million related to the purchase of a group annuity contract.

In the year ended December 26, 2015, we recorded pension-related settlement benefits of $67 million associated with the settlement of pension-related liabilities from previous acquisitions.

Venezuela impairment charges

In the year ended December 26, 2015, we recorded pre- and after-tax charges of $1.4 billion related to the impairment of investments in our wholly-owned Venezuelan subsidiaries and beverage joint venture.

Tax benefit

In the year ended December 26, 2015, we recognized a non-cash tax benefit of $230 million associated with our agreement with the Internal Revenue Service (IRS) resolving substantially all open matters related to the audits for taxable years 2010 through 2011, which reduced our reserve for uncertain tax positions for the tax years 2010 through 2011.

In the year ended December 28, 2013, we recognized a non-cash tax benefit of $209 million associated with our agreement with the IRS resolving all open matters related to the audits for the taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012.

Venezuela remeasurement charge

In the year ended December 28, 2013, we recorded a $111 million net charge related to the devaluation of the bolivar for our Venezuelan businesses.

Merger and integration charges

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

Venezuela deconsolidation

Conditions in Venezuela, including restrictive exchange control regulations and reduced access to U.S. dollars through official currency exchange markets, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and the U.S. dollar. The exchange restrictions and other conditions have significantly impacted our ability to effectively manage our businesses in Venezuela, including limiting our ability to import certain raw materials and to settle U.S. dollar-denominated obligations, and have restricted our ability to realize the earnings generated out of our Venezuelan businesses. We expect these conditions will continue for the foreseeable future.

As a result of these factors, we concluded that, effective as of the end of the third quarter of 2015, we did not meet the accounting criteria for control over our wholly-owned Venezuelan subsidiaries and we no longer had significant influence over our beverage joint venture with our franchise bottler in Venezuela. Therefore, effective at the end of the third quarter of 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investments in our Venezuelan subsidiaries and joint venture using the cost method of accounting. We reduced the value of the cost method investments to their estimated fair values, resulting in a full impairment. The factors that led to our conclusions at the end of the third quarter of 2015 continued to exist through the end of 2016.

Beginning with the fourth quarter of 2015, our financial results have not included the results of our Venezuelan businesses. We do not have any guarantees related to our Venezuelan entities, and our ongoing contractual commitments to our Venezuelan businesses are not material. We will recognize income from dividends and sales of inventory to our Venezuelan entities, which have not been and are not expected to be material, to the extent cash in U.S. dollars is received. We did not receive any cash in U.S. dollars from our Venezuelan entities during the fourth quarter of 2015 or fiscal year 2016. We will continue to monitor the conditions in Venezuela and their impact on our accounting and disclosures.

2017 guidance

Our 2017 core tax rate guidance and our 2017 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 2017 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. Our 2017 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2017 organic revenue growth guidance also excludes the impact of a 53rd reporting week in 2016. We are not able to reconcile our full year projected 2017 core tax rate to our full year projected 2017 reported tax rate and our full year projected 2017 core constant currency EPS growth to our full year projected 2017 reported EPS growth because we are unable to predict the 2017 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 2017 organic revenue growth to our full year projected 2017 reported net revenue growth because we are unable to predict the 2017 impact of foreign exchange due to the unpredictability of future changes in foreign exchange rates and because we are unable to predict the occurrence or impact of any acquisitions, divestitures or other structural changes. Therefore, we are unable to provide a reconciliation of these measures.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
(unaudited)

Net Revenue Growth Reconciliation

	Year Ended	
	12/31/2016	
Reported Net Revenue Growth	—	%
Impact of Foreign Exchange Translation	3	
Impact of Acquisitions and Divestitures	—	
Impact of Venezuela Deconsolidation [(a)]	2	
Impact of 53rd Reporting Week	(1)	
Organic Revenue Growth	4	%

Operating Margin Growth Reconciliation

	Year Ended	
	12/31/2016	
Reported Operating Margin Growth	234	bps
Commodity Mark-to-Market Net Impact	(25)	
Restructuring and Impairment Charges	(11)	
Pension-Related Settlements	49	
Charges Related to the Transaction with Tingyi	48	
Venezuela Impairment Charges	(215)	
Core Operating Margin Growth	79	bps

Diluted EPS Growth Reconciliation

	Year Ended			
	12/31/2016	12/26/2015	Growth	
Reported Diluted EPS	$ 4.36	$ 3.67	19	%
Commodity Mark-to-Market Net Impact	(0.08)	—		
Restructuring and Impairment Charges	0.09	0.12		
Charges Related to the Transaction with Tingyi	0.26	0.05		
Charge Related to Debt Redemption	0.11	—		
Pension-Related Settlement Charge/(Benefits)	0.11	(0.03)		
Venezuela Impairment Charges	—	0.91		
Tax Benefit	—	(0.15)		
Core Diluted EPS	$ 4.85	$ 4.57	6	
Impact of Foreign Exchange Translation			3	
Core Constant Currency Diluted EPS Growth			9	
Impact of Excluding Venezuela from 2015 Base [(a)]			2.5	
Core Constant Currency Diluted EPS Growth Excluding Net Impact of Venezuela from 2015 Base			12	%

a) Represents the impact of the exclusion of the 2015 results of our Venezuelan businesses, which were deconsolidated effective as of the end of the third quarter of 2015.

Note – Certain amounts above may not sum due to rounding

PepsiCo, Inc. and Subsidiaries
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Net Cash Provided by Operating Activities Reconciliation (in millions)

	Year Ended	
	12/31/2016	
Net Cash Provided by Operating Activities	$	10,404
Capital Spending		(3,040)
Sales of Property, Plant and Equipment		99
Free Cash Flow		7,463
Payments Related to Restructuring Charges		125
Discretionary Pension Contributions		459
Net Cash Received Related to Interest Rate Swaps		(5)
Net Cash Tax Benefit Related to Discretionary Pension Contributions		(151)
Net Cash Tax Benefit Related to Restructuring Charges		(22)
Net Cash Tax Benefit Related to Debt Redemption Charge		(83)
Free Cash Flow Excluding Above Items	$	7,786

Return on Invested Capital (ROIC)

	Year Ended					
	12/31/2016		12/26/2015		12/28/2013	
Net Income Attributable to PepsiCo	$	6,329	$	5,452	$	6,740
Interest Expense		1,342		970		911
Tax on Interest Expense		(483)		(349)		(328)
	$	7,188	$	6,073	$	7,323
Average Debt Obligations	$	35,308	$	31,169	$	29,291
Average Common Shareholders' Equity		11,943		15,147		22,900
Average Invested Capital	$	47,251	$	46,316	$	52,191
Return on Invested Capital		15.2%		13.1%		14.0%

2016 Return on Invested Capital (ROIC) Reconciliation

	Year Ended 12/31/2016		Growth vs. Prior Year	
ROIC	15.2	%	210	bps
Impact of:				
Average Cash, Cash Equivalents and Short-Term Investments	6.0		188	
Interest Income	(0.2)		(10)	
Tax on Interest Income	0.1		4	
Commodity Mark-to-Market Net Impact	(0.2)		(19)	
Restructuring and Impairment Charges	0.1		(10)	
Charges Related to the Transaction with Tingyi	0.6		50	
Pension-Related Settlement Charge/(Benefits)	0.3		42	
Venezuela Impairment Charges	(0.5)		(316)	
Tax Benefits	0.1		49	
Core Net ROIC, Excluding Items Affecting Comparability	21.5	%	190	bps

Note – Certain amounts above may not sum due to rounding.

PepsiCo, Inc. and Subsidiaries
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2013 - 2016 ROIC Growth Reconciliation

	Total Growth	
	12/28/2013 - 12/31/2016	
ROIC	117	bps
Impact of:		
Average Cash, Cash Equivalents and Short-Term Investments	345	
Interest Income	(4)	
Tax on Interest Income	1	
Commodity Mark-to-Market Net Impact	(29)	
Restructuring and Impairment Charges	2	
Charges Related to the Transaction with Tingyi	69	
Pension-Related Settlement Charge/(Benefits)	33	
Venezuela Impairment Charges	(45)	
Tax Benefits	40	
Venezuela Remeasurement Charge	(21)	
Merger and Integration Charges	3	
Core Net ROIC, Excluding Items Affecting Comparability	511	bps

Frito-Lay North America (FLNA) and North America Beverages (NAB) Operating Profit Growth Reconciliation

	Year Ended	
	12/31/2016	
	FLNA	NAB
Reported Operating Profit Growth	8 %	6 %
Restructuring and Impairment Charges	—	—
Pension-Related Settlement Benefits	—	2.5
Core Operating Profit Growth	8	9
Impact of Foreign Exchange Translation	—	—
Core Constant Currency Operating Profit Growth	8 %	9 %

International Divisions Net Revenue Growth Reconciliation

	Year Ended		
	12/31/2016		
	Latin America	Europe Sub-Saharan Africa	Asia, Middle East & North Africa
Reported Net Revenue Growth	(17) %	(3) %	(1) %
Impact of Foreign Exchange Translation	11	7	5
Impact of Acquisitions and Divestitures	1	—	—
Impact of Venezuela Deconsolidation [(a)]	14	—	—
Organic Revenue Growth	9 %	4 %	5 %

(a) Represents the impact of the exclusion of the 2015 results of our Venezuelan businesses, which were deconsolidated effective as of the end of the third quarter of 2015.

Note – Certain amounts above may not sum due to rounding.

PepsiCo, Inc. and Subsidiaries
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Developing and Emerging Markets Net Revenue Growth Reconciliation

	Year Ended 12/31/2016
Reported Net Revenue Growth	(8) %
Impact of Foreign Exchange Translation	9
Impact of Acquisitions and Divestitures	—
Impact of Venezuela Deconsolidation [(a)]	6
Organic Revenue Growth	7 %

Net Revenue Year-over-Year Growth Reconciliations

	Year Ended 12/31/2016			
	Reported Net Revenue Growth	Impact of Foreign Exchange Translation	Impact of Acquisitions and Divestitures	Organic Revenue Growth
Mexico	(HSD) %	DD %	LSD %	DD %
China	HSD %	MSD %	— %	DD %
Egypt	(LSD) %	DD %	— %	DD %

2013 - 2016 Operating Margin Growth Reconciliation

	Total Growth 12/28/2013 - 12/31/2016
Reported Operating Margin Growth	97 bps
Commodity Mark-to-Market Net Impact	(38)
Restructuring and Impairment Charges	1
Pension-Related Settlements	39
Charge Related to the Transaction with Tingyi	59
Venezuela Remeasurement Charge	(17)
Merger and Integration Charges	(1.5)
Core Operating Margin Growth	140 bps

Net Cash Provided by Operating Activities Reconciliation (in billions)

	2017 Guidance	2016 Guidance
Net Cash Provided by Operating Activities	$ ~ 10	$ ~ 10
Net Capital Spending	~ 3	~ 3
Free Cash Flow	~ 7	~ 7
Discretionary Pension Contributions	~ —	~ —
Net Cash Tax Benefit Related to Discretionary Pension Contributions	~ —	~ —
Payments Related to Restructuring Charges	~ —	~ —
Net Cash Tax Benefit Related to Restructuring Charges	~ —	~ —
Free Cash Flow Excluding Certain Items	$ ~ 7	$ ~ 7

a) Represents the impact of the exclusion of the 2015 results of our Venezuelan businesses, which were deconsolidated effective as of the end of the third quarter of 2015.

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