

PepsiCo, Inc. Q2 2020 Pre-recorded management discussion
Reconciliation of GAAP and Non-GAAP Information (unaudited)¹

In discussing financial results, the Company refers to the following measures which are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP): organic revenue growth, core results and adjusted core results. 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 certain 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 to our reported results include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring plans; amounts associated with mergers, acquisitions, divestitures and other structural changes; certain charges taken as a result of the COVID-19 pandemic; pension and retiree medical related items; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; amounts related to the resolution of tax positions; tax benefits related to reorganizations of our operations; debt redemptions, cash tender or exchange offers; asset impairments (non-cash); and remeasurements of net monetary assets.

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.

Organic revenue: Organic revenue growth adjusts reported net revenue growth for the impact of acquisitions, divestitures and other structural changes, foreign exchange translation and, when applicable, the impact of the 53rd reporting week.

Core results: Core results exclude certain items from our reported results. For further information regarding these excluded items for the 12 weeks ended June 13, 2020, refer to “Items Affecting Comparability” in “Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Q2 2020 Form 10-Q. For the periods presented, core results exclude the following items:

Mark-to-market net impact: Mark-to-market net gains and losses on commodity derivatives in corporate unallocated expenses. 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: Expenses related to the multi-year productivity plan publicly announced in 2019.

Inventory fair value adjustments and merger and integration charges: Charges related to our acquisitions of BFY Brands, Inc., Rockstar Energy Beverages and Pioneer Food Group Ltd.

Adjusted Core Operating Margin: Adjusted core operating margin performance further adjusts core operating margin for certain charges taken as a result of COVID-19 pandemic, including incremental allowances for expected credit losses, upfront payments to customers, inventory write-downs and product returns, employee compensation expense, employee protection costs and certain other charges. For further information regarding these excluded charges for the 12 weeks ended June 13, 2020, refer to “Our Divisions” in Note 1 to our condensed consolidated financial statements in our Q2 2020 Form 10-Q.

2020 core effective tax rate: Our 2020 core effective tax rate expectation excludes the mark-to-market net impact included in corporate unallocated expenses, restructuring and impairment charges and merger and integration charges. We are not able to reconcile our full year projected 2020 core effective tax rate to our full year projected 2020 reported effective tax rate because we are unable to predict the 2020 mark-to-market net impact on commodity derivatives due to the unpredictability of future changes in foreign exchange rates and commodity prices. Therefore, we are unable to provide a reconciliation of this measure.

Third quarter 2020 organic revenue performance: Our organic revenue performance expectation for the third quarter of 2020 excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. We are unable to reconcile our third quarter 2020 projected organic revenue performance to our third quarter 2020 projected reported net revenue performance because we are unable to predict the third quarter 2020 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 this measure.

¹ For a full discussion of our second quarter 2020 financial results, including definitions we use in discussing our financial results, please refer to our press release issued July 13, 2020 and our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on July 13, 2020.

PepsiCo, Inc. and Subsidiaries
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Net Revenue Growth Reconciliation	12 Weeks Ended 6/13/2020			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non- GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	(3)%	4	(1)	— %
Frito-Lay North America (FLNA)	7 %	—	(0.5)	6 %
Quaker Foods North America	23 %	—	—	23 %
PepsiCo Beverages North America	(7)%	—	(1)	(7)%
Global snacks	2 %	5	(2)	5 %
Global beverages	(8)%	2	—	(7)%
International division snacks	(6)%	11	(3)	2 %
International division beverages	(13)%	5	2	(5)%

Net Revenue Growth Reconciliation	24 Weeks Ended 6/13/2020			
	Reported % Change, GAAP Measure	Impact of		Organic % Change, Non- GAAP Measure
		Foreign exchange translation	Acquisitions and divestitures	
PepsiCo	2%	2	(0.5)	3%

PepsiCo Operating Margin Performance Reconciliation

	12 Weeks Ended 6/13/2020
Reported operating margin performance	(205) bps
Mark-to-market net impact	(31)
Restructuring and impairment charges	(80)
Inventory fair value adjustments and merger and integration charges	122
Core operating margin performance	(195) bps

FLNA Operating Margin Performance Reconciliation

	12 Weeks Ended 6/13/2020
Reported operating margin performance	(124) bps
Restructuring and impairment charges	(13)
Inventory fair value adjustments and merger and integration charges	4
Core operating margin performance	(132) bps
Charges taken as a result of the COVID-19 pandemic	317
Adjusted core operating margin performance	185 bps

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

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12 Weeks Ended 6/13/2020

Net Revenue Growth Reconciliation	Impact of			Organic % Change, Non- GAAP Measure
	Reported % Change, GAAP Measure	Foreign exchange translation	Acquisitions and divestitures	
Latin America:				
Brazil	(20) %	27 %	— %	7 %
Mexico	(16) %	18 %	— %	3 %
Europe:				
Germany	14 %	3 %	— %	18 %
United Kingdom	(2) %	5 %	— %	3 %
Africa, Middle East and South Asia:				
South Africa	(12) %	20 %	— %	8 %
Asia Pacific, Australia and New Zealand and China Region:				
Australia	(1) %	10 %	— %	9 %
China	24 %	6 %	— %	30 %

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