PepsiCo, Inc. Presentation to Consumer Analyst Group of New York (February 18, 2016)
Reconciliation of GAAP and Non-GAAP Information
(unaudited)

In discussing financial results and guidance, we may refer to certain measures not in accordance with Generally Accepted Accounting Principles (GAAP). Reconciliations of any such non-GAAP measures to the most directly comparable financial measures in accordance with GAAP can be found in the tables below. 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 26, 2015, December 27, 2014, December 28, 2013, December 29, 2012 and December 31, 2011, we recognized $11 million of mark-to-market net gains, $68 million and $72 million of mark-to-market net losses, $65 million of mark-to-market net gains and $102 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, metals and energy. 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 26, 2015, we incurred restructuring charges of $169 million in conjunction with the multi-year productivity plan we publicly announced in 2014 (2014 Productivity Plan). In the years ended December 27, 2014 and December 28, 2013, we incurred restructuring charges of $357 million and $53 million, respectively, 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. The 2014 Productivity Plan is in addition to the 2012 Productivity Plan and is expected to continue the benefits of that plan.

2012 Multi-Year Productivity Plan

In the year ended December 26, 2015, we incurred restructuring charges of $61 million in conjunction with the multi-year productivity plan we publicly announced in 2012 (2012 Productivity Plan). In the years ended December 27, 2014, December 28, 2013, December 29, 2012 and December 31, 2011, we incurred restructuring charges of $61 million, $110 million, $279 million and $383 million, respectively, in conjunction with our 2012 Productivity Plan. The 2012 Productivity Plan included actions in every aspect of our business that we believe 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.

Pension-related settlements

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.

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

Venezuela impairment charges

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

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 Venezuelan 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 net charge of $111 million related to the devaluation of the bolivar for our Venezuelan businesses. $124 million of the 2013 charge was recorded in corporate unallocated expenses, with the balance (equity income of $13 million) recorded in our Latin America segment.

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

In 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 Tingyi-Asahi Beverages Holding Co. Ltd. to 20%.

In the year ended December 29, 2012, we recorded restructuring and other charges of $150 million related to the transaction with Tingyi.

Tax benefits

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 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 Internal Revenue Service 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.

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.

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 (WBD).

In the year ended December 31, 2011, we incurred merger and integration charges of $329 million related to our acquisitions of The Pepsi Bottling Group, Inc. (PBG), PepsiAmericas, Inc. (PAS) and WBD, which includes $16 million recorded in interest expense.

Inventory fair value adjustments

In the year ended December 31, 2011, we recorded $46 million of incremental costs in cost of sales related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

53rd week impact

In 2011, we had an additional week of results (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. For the year ended December 31, 2011, the 53rd week increased operating profit by $109 million.

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.

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

	Year Ended		Cumulative	Year Ended	Cumulative
	12/28/2013	12/27/2014	12/30/12-12/27/14	12/26/2015	12/30/12-12/26/15
Net Cash Provided by Operating Activities	$ 9,688	$ 10,506	$ 20,194	$ 10,580	$ 30,774
Capital Spending	(2,795)	(2,859)	(5,654)	(2,758)	(8,412)
Sales of Property, Plant and Equipment	109	115	224	86	310
Free Cash Flow	7,002	7,762	14,764	7,908	22,672
Discretionary Pension and Retiree Medical Contributions (after-tax)	20	274	294	—	294
Pension-Related Settlements (after-tax)	—	—	—	57	57
Merger and Integration Payments (after-tax)	21	—	21	—	21
Payments Related to Restructuring Charges (after-tax)	105	215	320	163	483
Net Payments Related to Income Tax Settlements	984	—	984	—	984
Net Capital Investments Related to Merger and Integration	(4)	—	(4)	—	(4)
Net Capital Investments Related to Restructuring Plan	8	8	16	—	16
Payments for Restructuring and Other Charges Related to the Transaction with Tingyi (after-tax)	26	—	26	—	26
Free Cash Flow Excluding Above Items	$ 8,162	$ 8,259	$ 16,421	$ 8,128	$ 24,549

Net Income Attributable to PepsiCo Reconciliation (in millions)

	Year Ended			Total
	12/28/2013	12/27/2014	12/26/2015	12/30/12-12/26/15
Reported Net Income Attributable to PepsiCo	$ 6,740	$ 6,513	$ 5,452	$ 18,705
Commodity Mark-to-Market Net Impact	44	44	(8)	80
Merger and Integration Charges	8	—	—	8
Restructuring and Impairment Charges	129	316	184	629
Pension-Related Settlement Charge/(Benefits)	—	88	(42)	46
Venezuela Remeasurement Charges	111	105	—	216
Venezuela Impairment Charges	—	—	1,359	1,359
Tax Benefits	(209)	—	(230)	(439)
Charge Related to the Transaction with Tingyi	—	—	73	73
Core Net Income Attributable to PepsiCo	$ 6,823	$ 7,066	$ 6,788	$ 20,677

	Year Ended			Average
	12/28/2013	12/27/2014	12/26/2015	12/30/12-12/26/15
Net Cash Provided by Operating Activities as a Percentage of Reported Net Income	144%	161%	194%	165%
Free Cash Flow Excluding Above Items as a Percentage of Core Net Income	120%	117%	120%	119%

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

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Net Revenue Growth Reconciliation	Year Ended		
	12/28/2013	12/27/2014	12/26/2015
Reported Net Revenue Growth	1 %	— %	(5) %
Impact of Foreign Exchange Translation	2	3	10
Impact of Acquisitions and Divestitures	1	—	—
Impact of Venezuela Deconsolidation[(a)]	—	—	1
Organic Revenue Growth	4 %	4 %	5 %

(a) Represents the impact of the exclusion of the fourth quarter 2014 results of our Venezuelan businesses, which were deconsolidated as of the end of the third quarter of 2015.

Operating Margin and Growth Reconciliation	Year Ended			
	12/26/2015	12/27/2014	12/28/2013	12/29/2012
Reported Operating Margin	13.2 %	14.4 %	14.6 %	13.9 %
Impact of:				
Commodity Mark-to-Market Net Impact	—	0.1	0.1	(0.1)
Restructuring and Impairment Charges	0.4	0.6	0.2	0.4
Pension-Related Settlement (Benefits)/Charge	(0.1)	0.2	—	0.3
Charge Related to the Transaction with Tingyi	0.1	—	—	0.2
Merger and Integration Charges	—	—	—	—
Venezuela Impairment Charges	2.2	—	—	—
Venezuela Remeasurement Charges	—	0.2	0.2	—
Core Operating Margin	15.8 %	15.5 %	15.1 %	14.8 %
Impact of:				
Advertising and Marketing (A&M) Expense	6.3	5.9	5.9	5.6
Research and Development (R&D) Expense	1.2	1.1	1.0	0.8
Core Operating Margin Excluding A&M and R&D Expense	23.2 %	22.4 %	22.1 %	21.3 %

	Growth vs. Prior Year			Total Growth
	2015	2014	2013	2012 - 2015
Reported Operating Margin Growth	(112) bps	(25) bps	70 bps	(67) bps
Impact of:				
Commodity Mark-to-Market Net Impact	(12)	(1)	21	8
Restructuring and Impairment Charges	(26)	38	(18)	(6)
Pension-Related Settlement (Benefits)/Charge	(32)	21	(30)	(41)
Restructuring and Other Charges Related to the Transaction with Tingyi	12	—	(23)	(11)
Venezuela Impairment Charges	215	—	—	215
Venezuela Remeasurement Charges	(16)	(1)	17	—
Merger and Integration Charges	—	(1.5)	—	(1.5)
Core Operating Margin Growth	29 bps	32 bps	37 bps	98 bps
Impact of:				
A&M Expense	38	(5)	30	63
R&D Expense	12	8	16	36
Core Operating Margin Excluding A&M and R&D Expense Growth	79 bps	34 bps	82 bps	195 bps

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

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Net Return on Invested Capital (ROIC) Reconciliation

	Year Ended		
	12/28/2013	12/27/2014	12/26/2015
Reported ROIC	14.0 %	13.2 %	13.1 %
Impact of:			
Cash, Cash Equivalents and Short-Term Investments	2.5	3.4	4.1
Interest Income After Tax	(0.1)	(0.1)	(0.1)
Commodity Mark-to-Market Net Impact	0.1	0.1	—
Restructuring and Impairment Charges	0.1	0.5	0.2
Venezuela Remeasurement Charges	0.2	0.2	—
Tax Benefits	(0.3)	0.1	(0.4)
Restructuring and Other Charges Related to the Transaction with Tingyi	—	—	0.1
Pension-Related Settlement Charge/(Benefits)	—	0.1	(0.1)
Venezuela Impairment Charges	—	—	2.7
Core Net ROIC (b)	16.4 %	17.5 %	19.6 %

ROIC Growth Reconciliation

	Year Ended		
	12/28/2013	12/27/2014	12/26/2015
Reported ROIC Growth	37 bps	(79) bps	(13) bps
Impact of:			
Cash, Cash Equivalents and Short-Term Investments	104	88	68
Interest Income After Tax	—	—	2
Commodity Mark-to-Market Net Impact	15	0	(11)
Restructuring and Impairment Charges	(21)	37	(25)
Venezuela Remeasurement Charge	21	(3)	(20)
Tax Benefits	9	42	(51)
Restructuring and Other Charges Related to the Transaction with Tingyi	(37)	3	16
Pension-Related Settlement (Benefits)/Charge	(29)	17	(24)
Venezuela Impairment Charges	—	—	270
Merger and Integration Charges	10	3	—
Core Net ROIC Growth (b)	110 bps	108 bps	212 bps

(b) 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.

Note - The impact of all other reconciling items to reported ROIC round to zero. Certain amounts above may not sum due to rounding.

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Operating Profit per Employee Reconciliation

	Year Ended			Growth
(in millions)	12/26/2015	12/28/2013	12/31/2011	2011 - 2015
Reported Operating Profit	$ 8,353	$ 9,705	$ 9,633	
Commodity Mark-to-Market Net Impact	(11)	72	102	
Restructuring and Impairment Charges	230	163	383	
Restructuring and Other Charges Related to the Transaction with Tingyi	73		—	
Pension-related Settlement (Benefits)	(67)	—	—	
Venezuela Impairment Charge	1,359	—	—	
Venezuela Remeasurement Charges	—	111	—	
Merger and Integration Charges	—	10	313	
53rd Week	—	—	(109)	
Inventory Fair Value Adjustment	—	—	46	
Core Operating Profit	$ 9,937	$ 10,061	$ 10,368	
(in thousands)				
Number of Employees	263	274	297	
Reported Operating Profit per Employee	$ 31.8	$ 35.4	$ 32.4	(2) %
Core Operating Profit per Employee	$ 37.8	$ 36.7	$ 34.9	8 %

Gross Margin Reconciliation	Year Ended		
	12/28/2013	12/27/2014	12/26/2015
Reported Gross Margin	53.0 %	53.7 %	55.0 %
Commodity Mark-to-Market Net Impact	0.1	—	—
Core Gross Margin	53.1 %	53.6 %	55.0 %

Gross Margin Growth Reconciliation	Year Ended			Total
	12/28/2013	12/27/2014	12/26/2015	2012 - 2015
Reported Gross Margin Growth	74 bps	73 bps	130 bps	277 bps
Commodity Mark-to-Market Net Impact	16	(17)	8	7
Core Gross Margin Growth	90 bps	55 bps	138 bps	283 bps

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

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Diluted EPS Growth Reconciliation	Year Ended				Growth			Average
	12/26/2015	12/27/2014	12/28/2013	12/29/2012	2015	2014	2013	2013-2015
Reported Diluted EPS	$ 3.67	$ 4.27	$ 4.32	$ 3.92	(14)%	(1)%	10%	(2)%
Commodity Mark-to-Market Net Impact	—	0.03	0.03	(0.03)				
Restructuring and Impairment Charges	0.12	0.21	0.08	0.14				
Pension-Related Settlement (Benefits)/Charge	(0.03)	0.06	—	0.08				
Charge Related to the Transaction with Tingyi	0.05	—	—	0.11				
Venezuela Impairment Charges	0.91	—	—	—				
Venezuela Remeasurement Charges	—	0.07	0.07	—				
Tax Benefit	(0.15)	—	(0.13)	(0.14)				
Merger and Integration Charges	—	—	0.01	0.01				
Core Diluted EPS	$ 4.57	$ 4.63	$ 4.37	$ 4.10	(1)%	6 %	7%	4 %
Impact of Foreign Exchange Translation					11 %	3 %	2%	6 %
Core Constant Currency Diluted EPS Growth					10 %	9 %	9%	9 %

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