PepsiCo, Inc. Q4 2015 Earnings Call
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 and December 29, 2012, we recognized $11 million of mark-to-market net gains, $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, 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 and December 29, 2012, we incurred restructuring charges of $61 million, $110 million and $279 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 net charges 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 ($0.05 per share) related to a write-off of the recorded value of a call option to increase our holding in Tingyi-Asashi 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.

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).

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.

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.

2016 guidance

Our 2016 core constant currency EPS growth guidance excludes the commodity mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2016 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes, including the Venezuela deconsolidation, and foreign exchange translation. Our 2016 organic revenue growth guidance also excludes the impact of a 53rd reporting week in 2016. In addition, our 2016 organic revenue growth guidance and our 2016 core constant currency EPS growth guidance exclude the impact of foreign exchange. We are not able to reconcile our full year projected 2016 core constant currency EPS growth to our full year projected 2016 reported EPS growth because we are unable to predict the 2016 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 2016 organic revenue growth to our full year projected 2016 reported net revenue growth because we are unable to predict the 2016 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.

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

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

Diluted EPS Growth Reconciliation	Year Ended 12/26/2015	Year Ended 12/27/2014	Growth	
Reported Diluted EPS	$ 3.67	$ 4.27	(14)	%
Commodity Mark-to-Market Net Impact	—	0.03		
Restructuring and Impairment Charges	0.12	0.21		
Pension-Related Settlement (Benefits)/Charge	(0.03)	0.06		
Charge Related to the Transaction with Tingyi	0.05	—		
Venezuela Impairment Charges	0.91	—		
Venezuela Remeasurement Charge	—	0.07		
Tax Benefit	(0.15)	—		
Core Diluted EPS	$ 4.57	$ 4.63	(1)	
Impact of Foreign Exchange Translation			11	
Core Constant Currency Diluted EPS Growth			10	%

Operating Margin Growth Reconciliation	Year Ended 12/26/2015	
Reported Operating Margin Growth	(112)	bps
Commodity Mark-to-Market Net Impact	(12)	
Restructuring and Impairment Charges	(26)	
Pension-Related Settlement (Benefits)/Charge	(32)	
Charge Related to the Transaction with Tingyi	12	
Venezuela Impairment Charges	215	
Venezuela Remeasurement Charge	(16)	
Core Operating Margin Growth	29	bps

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

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

Net Cash Provided by Operating Activities Reconciliation (in millions)

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

Net Income Attributable to PepsiCo Reconciliation (in millions)

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

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

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

2015 Return on Invested Capital (ROIC) Reconciliation	Year Ended 12/26/2015	
Reported ROIC	13.1	%
Impact of:		
Cash, Cash Equivalents and Short-Term Investments	4.1	
Interest Income After Tax	(0.1)	
Commodity Mark-to-Market Net Impact	—	
Restructuring and Impairment Charges	0.2	
Venezuela Remeasurement Charge	—	
Tax Benefits	(0.4)	
Restructuring and Other Charges Related to the Transaction with Tingyi	0.1	
Pension-Related Settlement (Benefits)/Charge	(0.1)	
Venezuela Impairment Charges	2.7	
Core Net ROIC [(b)]	19.6	%

2012 - 2015 ROIC Growth Reconciliation	Year Ended 12/26/2015	
Reported ROIC Growth	(55)	bps
Impact of:		
Cash, Cash Equivalents and Short-Term Investments	260	
Interest Income After Tax	4	
Commodity Mark-to-Market Net Impact	5	
Restructuring and Impairment Charges	(9)	
Venezuela Remeasurement Charge	(3)	
Restructuring and Other Charges Related to the Transaction with Tingyi	(18)	
Pension-Related Settlement (Benefits)/Charge	(37)	
Venezuela Impairment Charges	270	
Merger and Integration Charges	13	
Core Net ROIC Growth [(b)]	430	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.

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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Frito-Lay North America (FLNA) and North America Beverages (NAB) Net Revenue Growth Reconciliation

	Year Ended 12/26/2015	
	FLNA	NAB
Reported Net Revenue Growth	2 %	2 %
Impact of Foreign Exchange Translation	1	1
Organic Revenue Growth	3 %	3 %

FLNA and NAB Operating Profit Growth Reconciliation

	Year Ended 12/26/2015	
	FLNA	NAB
Reported Operating Profit Growth	6 %	15 %
Restructuring and Impairment Charges	(1)	(6)
Pension-Related Settlement (Benefits)/Charge	—	(3)
Core Operating Profit Growth	5.5	6
Impact of Foreign Exchange Translation	1	1
Core Constant Currency Operating Profit Growth	7 %	7 %

Quaker Foods North America Net Revenue Growth Reconciliation

	Year Ended 12/26/2015
Reported Net Revenue Growth	(1) %
Impact of Foreign Exchange Translation	2
Impact of Acquisitions and Divestitures	—
Organic Revenue Growth	1 %

International Divisions Net Revenue Growth Reconciliation

	Year Ended 12/26/2015			
	Latin America	Europe Sub-Saharan Africa	Asia, Middle East & North Africa	Total International Divisions
Reported Net Revenue Growth	(13) %	(22) %	(4) %	(15) %
Impact of Foreign Exchange Translation	27	24	5	20
Impact of Acquisitions and Divestitures	—	—	3	1
Impact of Venezuela Deconsolidation[c]	6	—	—	2
Organic Revenue Growth	20 %	2 %	4 %	8 %

(c) *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.*

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

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

International Divisions Operating Profit Growth Reconciliation

	Year Ended 12/26/2015			
	Latin America	Europe Sub-Saharan Africa	Asia, Middle East & North Africa	Total International Divisions
Reported Operating Profit Growth	(113) %	(22) %	(4.5) %	(55) %
Restructuring and Impairment Charges	1	2	(1)	0.5
Venezuela Impairment Charges	83	—	—	35
Venezuela Remeasurement Charge	1	—	—	0.5
Charge Related to the Transaction with Tingyi	—	—	7	2
Core Operating Profit Growth	(28)	(20)	2	(17)
Impact of Foreign Exchange Translation	37	22	3	23
Core Constant Currency Operating Profit Growth	9 %	2.5 %	5 %	6 %

Contribution of Venezuelan Operations to 2015 Diluted EPS Reconciliation

	Year Ended 12/26/2015
Contribution of Venezuelan Operations to Reported Diluted EPS	$ (0.81)
Venezuela Impairment Charges	0.91
Contribution of Venezuelan Operations to Core Diluted EPS	$ 0.10

Developing and Emerging Markets Net Revenue Growth Reconciliation

	Quarter Ended 12/26/2015
Reported Net Revenue Growth	(19.1) %
Impact of Foreign Exchange Translation	18.6
Impact of Acquisitions and Divestitures	0.4
Impact of Venezuela Deconsolidation[d]	6.7
Organic Revenue Growth	6.6 %

(d) 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.

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