PepsiCo, Inc. Q3 2017 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 12 and 36 weeks ended September 9, 2017, we recognized $27 million of mark-to-market net gains and $13 million of mark-to-market net losses, respectively, on commodity hedges in corporate unallocated expenses. In the 12 and 36 weeks ended September 3, 2016, we recognized $39 million of mark-to-market net losses and $107 million of mark-to-market net gains, respectively, on commodity hedges in corporate unallocated expenses. In the year ended December 31, 2016, we recognized $167 million of mark-to-market net gains 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 12 and 36 weeks ended September 9, 2017, we incurred restructuring charges of $8 million and $69 million, respectively, in conjunction with the multi-year productivity plan we publicly announced in 2014 (2014 Productivity Plan). In the 12 and 36 weeks ended September 3, 2016, we incurred restructuring charges of $27 million and $106 million, respectively, in conjunction with our 2014 Productivity Plan. In the year ended December 31, 2016, we incurred restructuring charges of $160 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.

[1] *For a full discussion of our third quarter 2017 financial results, including definitions we use in discussing our financial results, please refer to our press release issued October 4, 2017.*

Charge 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. to its estimated fair value.

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 settlement charge

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

Free cash flow excluding certain items

Free cash flow excluding certain items is an important measure used to monitor our cash flow performance. We believe this non-GAAP measure provides investors additional useful information when evaluating our cash from operating activities. Adjustments to get to free cash flow excluding certain items include: discretionary pension contributions, payments related to restructuring charges, and the tax impacts associated with each of these items, as applicable.

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, foreign exchange translation and the impact of a 53^{rd} 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	12 Weeks Ended 9/9/2017	36 Weeks Ended 9/9/2017
Reported Net Revenue Growth	1 %	2 %
Impact of Foreign Exchange Translation	1	1
Impact of Acquisitions and Divestitures	—	—
Organic Revenue Growth	2 %	2 %

Frito-Lay North America Net Revenue Growth Reconciliation	12 Weeks Ended		
	9/9/2017	6/17/2017	3/25/2017
Reported Net Revenue Growth	3 %	3 %	2 %
Impact of Foreign Exchange Translation	—	—	—
Organic Revenue Growth	3 %	3.5 %	2 %

Quaker Foods North America (QFNA) Net Revenue Growth Reconciliation	12 Weeks Ended		
	9/9/2017	6/17/2017	3/25/2017
Reported Net Revenue Growth	1 %	(1) %	(3) %
Impact of Foreign Exchange Translation	—	0.5	—
Organic Revenue Growth	1 %	(1) %	(3.5) %

QFNA Operating Profit Growth Reconciliation	12 Weeks Ended		
	9/9/2017	6/17/2017	3/25/2017
Reported Operating Profit Growth	2 %	— %	(1) %
Impact of Restructuring and Impairment Charges	—	—	—
Core Operating Profit Growth	2 %	(1) %	(1) %

Latin America Net Revenue Growth Reconciliation	12 Weeks Ended 9/9/2017
Reported Net Revenue Growth	6 %
Impact of Foreign Exchange Translation	(2)
Impact of Acquisitions and Divestitures	1
Organic Revenue Growth	5 %

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

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

Asia, Middle East and North Africa (AMENA) Net Revenue Growth Reconciliation

	12 Weeks Ended 9/9/2017
Reported Net Revenue Growth	(4) %
Impact of Foreign Exchange Translation	13
Organic Revenue Growth	9 %

Europe Sub-Saharan Africa (ESSA) Net Revenue Growth Reconciliation

	12 Weeks Ended		
	9/9/2017	6/17/2017	3/25/2017
Reported Net Revenue Growth	8 %	6 %	6 %
Impact of Foreign Exchange Translation	(2)	—	(2)
Organic Revenue Growth	6 %	6 %	4 %

ESSA Operating Profit Growth Reconciliation

	12 Weeks Ended 9/9/2017
Reported Operating Profit Growth	12 %
Impact of Restructuring and Impairment Charges	—
Core Operating Profit Growth	12
Impact of Foreign Exchange Translation	—
Core Constant Currency Operating Profit Growth	12 %

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

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

Net Revenue Year-over-Year Growth Reconciliations	12 Weeks Ended 9/9/2017		
	Reported Net Revenue Growth	Impact of Foreign Exchange Translation	Organic Revenue Growth
Latin America			
Mexico	DD %	(MSD) %	HSD %
Brazil	MSD %	(LSD) %	MSD %
AMENA			
China	DD %	LSD %	DD %
Pakistan	DD %	—	DD %
Philippines	DD %	DD %	DD %
Egypt	(DD) %	DD %	DD %
ESSA Top 4 Markets			
Russia	DD %	(DD) %	MSD %
United Kingdom	(LSD) %	MSD %	LSD %
France	HSD %	(LSD) %	MSD %
Turkey	(HSD) %	DD %	DD %
ESSA Other Key Markets			
Poland	DD %	(HSD) %	MSD %
Germany	HSD %	(LSD) %	MSD %
Netherlands	HSD %	(LSD) %	MSD %
Ukraine	DD %	MSD %	DD %
South Africa	DD %	(DD) %	DD %
Romania	DD %	(LSD) %	DD %

Net Revenue Year-over-Year Growth Reconciliations	12 Weeks Ended 9/9/2017		
	Reported Net Revenue Growth	Impact of Foreign Exchange Translation	Organic Revenue Growth
ESSA			
Snacks	HSD %	(LSD) %	HSD %
Beverages	HSD %	(LSD) %	MSD %

Fiscal 2016 Diluted EPS Reconciliation	Year Ended 12/31/2016
Reported Diluted EPS	$ 4.36
Commodity Mark-to-Market Net Impact	(0.08)
Restructuring and Impairment Charges	0.09
Charge Related to the Transaction with Tingyi	0.26
Charge Related to Debt Redemption	0.11
Pension-Related Settlement Charge	0.11
Core Diluted EPS	$ 4.85

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

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

Net Cash Provided by Operating Activities Reconciliation (in billions)	2017 Guidance		
Net Cash Provided by Operating Activities	$	~	10
Net Capital Spending		~	3
Free Cash Flow		~	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

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