PepsiCo, Inc. Q4 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); charges related to restructuring programs; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; debt redemptions; pension and retiree medical related items; amounts related to the resolution of tax positions; asset impairments (non-cash); 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 30, 2017, December 31, 2016, December 26, 2015, December 27, 2014, December 28, 2013 and December 29, 2012, we recognized mark-to-market net gains (losses) of $15 million, $167 million, $11 million, $(68) million, $(72) million and $65 million, respectively, on commodity derivatives in corporate unallocated expenses. Additionally, in the quarters ended December 30, 2017 and December 31, 2016, we recognized mark-to-market net gains of $28 million and $60 million, respectively, on commodity derivatives 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 30, 2017, December 31, 2016, December 26, 2015, December 27, 2014 and December 28, 2013, we incurred restructuring charges of $295 million, $160 million, $169 million, $357 million and $53 million, respectively, in conjunction with the multi-year productivity plan we publicly announced in 2014 (2014 Productivity Plan). Additionally, in the quarters ended December 30, 2017 and December 31, 2016, we incurred restructuring charges of $226 million and $54 million, respectively, in conjunction with the 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. To build on the successful implementation of the 2014 Productivity Plan to date, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives described above to further strengthen our food, snack and beverage businesses.

[1] *For a full discussion of our fourth quarter and full-year 2017 financial results, including definitions we use in discussing our financial results, please refer to our press release issued February 13, 2018.*

2012 Multi-Year Productivity Plan

In the years ended December 26, 2015, December 27, 2014, December 28, 2013 and December 29, 2012, we incurred restructuring charges of $61 million, $61 million, $110 million and $279 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 enhanced PepsiCo's cost-competitiveness and provided a source of funding for future brand-building and innovation initiatives.

Provisional net tax expense related to the Tax Cuts and Jobs Act (TCJ Act)

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%. In the quarter and year ended December 30, 2017, we recorded a provisional net tax expense of $2.5 billion associated with the enactment of the TCJ Act. Included in the net tax expense of $2.5 billion is a provisional mandatory one-time transition tax of approximately $4 billion on undistributed international earnings. This mandatory one-time transition tax was partially offset by a provisional $1.5 billion benefit resulting from the required remeasurement of our deferred tax assets and liabilities to the new, lower U.S. corporate income tax rate.

The changes in the TCJ Act are broad and complex and we continue to examine the impact the TCJ Act may have on our business and financial results.The recorded impact of the TCJ Act is provisional and the final amount may differ from the above estimate, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in Internal Revenue Service (IRS) interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act.

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

In the quarter and 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%.

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

Charge related to debt redemption

In the quarter and 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 charges/benefits

In the quarter and 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.

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 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.

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.

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.

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 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.

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 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. In future years, we expect this measure to exclude payments related to the provisional mandatory transition tax liability of approximately $4 billion, which we currently expect to be paid over the period 2019 to 2026 under the provisions of the TCJ Act.

2018 guidance

Our 2018 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes and foreign exchange translation. Our 2018 core tax rate guidance and 2018 core constant currency EPS growth guidance exclude the commodity mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2018 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. We are unable to reconcile our full year projected 2018 organic revenue growth to our full year projected 2018 reported net revenue growth because we are unable to predict the 2018 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. We are also unable to reconcile our full year projected 2018 core tax rate to our full year projected 2018 reported tax rate and our full year projected 2018 core constant currency EPS growth to our full year projected 2018 reported EPS growth because we are unable to predict the 2018 impact of foreign exchange or the 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 these measures.

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

Net Revenue Growth Reconciliation	Quarter Ended	
	12/30/2017	9/9/2017
Reported Net Revenue Growth	— %	1 %
Foreign Exchange Translation	(1)	1
Acquisitions and Divestitures	—	—
53rd Reporting Week	3.5	—
Organic Revenue Growth	2 %	2 %

Operating Profit Growth Reconciliation	Quarter Ended
	12/30/2017
Reported Operating Profit Growth	9 %
Commodity Mark-to-Market Net Impact	2
Restructuring and Impairment Charges	10
Pension-Related Settlement Charge	(14)
Core Operating Profit Growth	7
Foreign Exchange Translation	(1)
Core Constant Currency Operating Profit Growth	6 %

Diluted EPS Growth Reconciliation	Quarter Ended		
	12/30/2017	12/31/2016	Growth
Reported Diluted EPS	$ (0.50)	$ 0.97	(152) %
Commodity Mark-to-Market Net Impact	(0.01)	(0.03)	
Restructuring and Impairment Charges	0.11	0.04	
Charge Related to Debt Redemption	—	0.11	
Pension-Related Settlement Charge	—	0.11	
Provisional Net Tax Expense Related to the TCJ Act	1.73	—	
Core Diluted EPS	$ 1.31 [(a)]	$ 1.20	9
Foreign Exchange Translation			(1)
Core Constant Currency Diluted EPS Growth			8 %

Frito-Lay North America Net Revenue Growth Reconciliation	Quarter Ended
	12/30/2017
Reported Net Revenue Growth	(1) %
Foreign Exchange Translation	—
53rd Reporting Week	6
Organic Revenue Growth	5 %

[(a)] *Does not sum due to impact of diluted shares and rounding.*

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

North America Beverages Net Revenue Growth Reconciliation	Quarter Ended	
	12/30/2017	9/9/2017
Reported Net Revenue Growth	(6) %	(3) %
Foreign Exchange Translation	—	—
Acquisitions and Divestitures	(1)	(1)
53rd Reporting Week	5	—
Organic Revenue Growth	(3) %	(5) %

Developing and Emerging Markets Net Revenue Growth Reconciliation	Quarter Ended
	12/30/2017
Reported Net Revenue Growth	7 %
Foreign Exchange Translation	(1)
Acquisitions and Divestitures	—
Organic Revenue Growth	7 %

Net Revenue Year-over-Year Growth Reconciliations	Quarter Ended 12/30/2017		
	Reported Net Revenue Growth	Impact of Foreign Exchange Translation	Organic Revenue Growth
Latin America			
Argentina	MSD %	DD %	DD %
Mexico	DD %	(MSD) %	MSD %
ESSA			
Turkey	(MSD) %	DD %	DD %
Russia	DD %	(HSD) %	HSD %
AMENA			
Vietnam	DD %	LSD %	DD %
Thailand	DD %	(HSD) %	DD %
Philippines	MSD %	MSD %	DD %
China	DD %	(LSD) %	HSD %
India	DD %	(MSD) %	MSD %

Net Revenue Growth Reconciliation	5-Year CAGR [(b)]	Year Ended				
		12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013
Reported Net Revenue Growth	(1) %	1 %	— %	(5) %	— %	1 %
Foreign Exchange Translation		—	3	10	3	2
Acquisitions and Divestitures		—	—	—	—	1
Venezuela Deconsolidation		—	2	1	—	—
53rd Reporting Week		1	(1)	—	—	—
Organic Revenue Growth	4 %	2 %	4 %	5 %	4 %	4 %

[(b)] *Compound Annual Growth Rate*

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

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Operating Margin Growth Reconciliation	Year Ended 12/30/2017	
Reported Operating Margin Growth	96	bps
Commodity Mark-to-Market Net Impact	24	
Restructuring and Impairment Charges	21	
Pension-Related Settlement Charge	(39)	
Charge Related to the Transaction with Tingyi	(59)	
Core Operating Margin Growth	43	bps

Diluted EPS Growth Reconciliation

	Year Ended					
	12/30/2017	12/31/2016	12/26/2015	12/27/2014	12/28/2013	12/29/2012
Reported Diluted EPS	$ 3.38	$ 4.36	$ 3.67	$ 4.27	$ 4.32	$ 3.92
Commodity Mark-to-Market Net Impact	(0.01)	(0.08)	—	0.03	0.03	(0.03)
Restructuring and Impairment Charges	0.16	0.09	0.12	0.21	0.08	0.14
Provisional Net Tax Expense Related to the TCJ Act	1.70	—	—	—	—	—
Charges Related to the Transaction with Tingyi	—	0.26	0.05	—	—	0.11
Charge Related to Debt Redemption	—	0.11	—	—	—	—
Pension-Related Settlement Charges/(Benefit)	—	0.11	(0.03)	0.06	—	0.08
Venezuela Impairment Charges	—	—	0.91	—	—	—
Venezuela Remeasurement Charges	—	—	—	0.07	0.07	—
Merger and Integration Charges	—	—	—	—	0.01	0.01
Tax Benefits	—	—	(0.15)	—	(0.13)	(0.14)
Core Diluted EPS	$ 5.23	$ 4.85	$ 4.57	$ 4.63	$ 4.37	$ 4.10

	5-Year Average					
Reported Diluted EPS Growth	(2) %	(23) %	19 %	(14) %	(1) %	10 %
Core Diluted EPS Growth	5 %	8 %	6 %	(1) %	6 %	7 %
Foreign Exchange Translation		1	3	11	3	2
Core Constant Currency Diluted EPS Growth	9 %	9 %	9 %	10 %	9 %	9 %

Net Cash Provided by Operating Activities Reconciliation (in millions)	Year Ended 12/30/2017
Net Cash Provided by Operating Activities	$ 9,994
Capital Spending	(2,969)
Sales of Property, Plant and Equipment	180
Free Cash Flow	7,205
Payments Related to Restructuring Charges	113
Net Cash Tax Benefit Related to Restructuring Charges	(30)
Discretionary Pension Contributions	6
Net Cash Tax Benefit Related to Discretionary Pension Contributions	(1)
Free Cash Flow Excluding Certain Items	$ 7,293

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

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Return on Invested Capital (ROIC)

	Year Ended		
	12/30/2017	12/31/2016	12/29/2012
Net income attributable to PepsiCo	$ 4,857	$ 6,329	$ 6,178
Interest expense	1,151	1,342	899
Tax on interest expense	(415)	(483)	(324)
	$ 5,593	$ 7,188	$ 6,753
Average debt obligations	$ 38,707	$ 35,308	$ 27,823
Average common shareholders' equity	12,004	11,943	21,603
Average invested capital	$ 50,711	$ 47,251	$ 49,426
ROIC	11.0 %	15.2 %	13.7 %

ROIC Reconciliation

	Year Ended			Growth vs. Prior Year	5-Year Growth
	12/30/2017	12/31/2016	12/29/2012		
ROIC	11.0 %	15.2 %	13.7% %	(420) bps	(270) bps
Impact of:					
Average Cash, Cash Equivalents and Short-Term Investments	7.6	6.0	1.5		
Interest Income	(0.5)	(0.2)	(0.2)		
Tax on Interest Income	0.2	0.1	0.1		
Commodity Mark-to-Market Net Impact	—	(0.2)	(0.1)		
Restructuring and Impairment Charges	0.3	0.1	0.3		
Provisional Net Tax Expense Related to the TCJ Act	4.5	—	—		
Charges Related to the Transaction with Tingyi	(0.1)	0.6	0.3		
Pension-Related Settlement Charges	—	0.3	0.3		
Venezuela Impairment Charges	(0.2)	(0.5)	—		
Merger and Integration Charges	—	—	(0.1)		
Tax Benefits	0.1	0.1	(0.4)		
Core Net ROIC	22.9 %	21.5 %	15.3 %	140 bps	760 bps

Operating Margin Growth Reconciliation

	Year Ended		5-Year Growth
	12/30/2017	12/29/2012	
Reported Operating Margin	17 %	14 %	263 bps
Commodity Mark-to-Market Net Impact	—	—	
Restructuring and Impairment Charges	0.5	—	
Pension-Related Settlement Charge	—	—	
Charges Related to the Transaction with Tingyi	—	—	
Merger and Integration Charges	—	—	
Core Operating Margin	17 %	15 %	220 bps

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)	2018 Guidance
Net Cash Provided by Operating Activities	$ ~ 9
Net Capital Spending	~ (4)
Free Cash Flow	~ 6
Discretionary Pension Contributions	~ 1
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.