

Reconciliation of GAAP and Non-GAAP Information

(unaudited)

Division operating profit, core results and core constant currency results are non-GAAP financial measures as they exclude certain items noted below. However, we believe investors should consider these measures as they are more indicative of our ongoing performance and with how management evaluates our operational results and trends.

Commodity mark-to-market net impact

In the quarter and year ended December 25, 2010, we recognized \$33 million and \$91 million, respectively, of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the quarter and year ended December 26, 2009, we recognized \$83 million and \$274 million, respectively, of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the first quarter of 2010, we recognized \$46 million of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the first quarter of 2009, we recognized \$62 million of mark-to-market net gains on commodity hedges in corporate unallocated expenses. We centrally manage commodity derivatives on behalf of our divisions. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity.

Merger and integration charges

In the quarter ended December 25, 2010, we incurred merger and integration charges of \$263 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD, including \$133 million recorded in the PAB segment, \$67 million recorded in the Europe segment and \$63 million recorded in corporate unallocated expenses. In the year ended December 25, 2010, we incurred merger and integration charges of \$799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our pending acquisition of WBD, including \$467 million recorded in the PAB segment, \$111 million recorded in the Europe segment, \$191 million recorded in corporate unallocated expenses and \$30 million recorded in interest expense. In the first quarter of 2010, we incurred merger and integration charges of \$312 million related to our acquisitions of PBG and PAS, including \$193 million recorded in the PAB segment, \$1 million recorded in the Europe segment, \$88 million recorded in corporate unallocated expenses and \$30 million recorded in interest expense. These charges also include closing costs, one-time financing costs and advisory fees related to the acquisitions. In addition, in the first quarter of 2010, we recorded \$9 million of charges, representing our share of the respective merger costs of PBG and PAS, recorded in bottling equity income. In the quarter and year ended December 26, 2009, we incurred \$49 million and \$50 million, respectively, of costs associated with the mergers with PBG and PAS, as well as an additional \$3 million and \$11 million of costs in the quarter and year ended December 26, 2009, respectively, representing our share of the respective merger costs of PBG and PAS, recorded in bottling equity income.

Restructuring and impairment charges

As a result of our previously initiated Productivity for Growth program, in the year ended December 26, 2009, we recorded \$36 million of restructuring and impairment charges.

Gain on previously held equity interests in PBG and PAS

In the first quarter of 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of \$958 million, comprising \$735 million which is non-taxable and recorded in bottling equity income and \$223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

Inventory fair value adjustments

In the quarter ended December 25, 2010, in the PAB segment, we recorded \$24 million of incremental costs, substantially all in cost of sales, related to hedging contracts included in PBG's and PAS's balance sheets at the acquisition date. In the year ended December 25, 2010, we recorded \$398 million of incremental costs, substantially all in cost of sales, related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date, including \$358 million recorded in the PAB segment and \$40 million recorded in the Europe segment. In the first quarter of 2010, we recorded \$281 million of incremental costs in cost of sales related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

Venezuela currency devaluation

As of the beginning of our 2010 fiscal year, we recorded a one-time \$120 million net charge related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar fuerte (bolivar). \$129 million of this net charge was recorded in corporate unallocated expenses, with the balance (income of \$9 million) recorded in our PAB segment.

Reconciliation of GAAP and Non-GAAP Information (cont.)

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Asset write-off for SAP software

In the first quarter of 2010, we recorded a \$145 million charge related to a change in scope of one release in our ongoing migration to SAP software. This change was driven, in part, by a review of our North America systems strategy following our acquisitions of PBG and PAS. This change does not impact our overall commitment to continue our implementation of SAP across our global operations over the next few years.

Foundation contribution

In the first quarter of 2010, we made a \$100 million contribution to The PepsiCo Foundation, Inc. (Foundation), in order to fund charitable and social programs over the next several years. This contribution was recorded in corporate unallocated expenses.

Interest expense incurred in connection with debt repurchase

In the quarter and year ended December 25, 2010, we paid \$672 million in a cash tender offer to repurchase \$500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a \$178 million charge to interest expense, primarily representing the premium paid in the tender offer.

Management operating cash flow

Additionally, management operating cash flow 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.

2011 and longer-term guidance

Our full-year 2011 core tax rate guidance and our first quarter and full-year 2011 and longer-term core constant currency EPS guidance exclude the commodity mark-to-market net impact included in corporate unallocated expenses; merger and integration charges related to PBG, PAS and WBD; and the impact of the 53rd week in 2011. We are not able to reconcile our full-year projected 2011 core tax rate to our full-year projected 2011 reported tax rate or our first quarter and full-year projected 2011 and longer-term core constant currency EPS to our first quarter and full-year projected 2011 and longer-term reported results because we are unable to predict the first quarter and full-year 2011 and longer-term impacts of foreign exchange or the mark-to-market net gains or losses on commodity hedges 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.

Reconciliation of GAAP and Non-GAAP Information (cont.)
(\$ in millions, except per share amounts, unaudited)

Operating Profit Growth Reconciliation

	Quarter Ended	Year Ended
	12/25/10	12/25/10
Division Operating Profit Growth	14%	12%
Impact of Corporate Unallocated	(5)	(8)
Reported Total Operating Profit Growth	10%*	4%

*Does not sum due to rounding

Effective Tax Rate Reconciliation

	Quarter Ended		
	3/20/10		
	Pre-Tax Income	Income Taxes	Effective Tax Rate
Reported Effective Tax Rate	\$1,401	\$(33)	(2.3)%
Mark-to-Market Net Gains	(46)	(17)	
Gain on Previously Held Equity Interests	(735)	223	
Merger and Integration Charges	321	60	
Inventory Fair Value Adjustments	281	41	
Venezuela Currency Devaluation	120	-	
Asset Write-Off	145	53	
Foundation Contribution	100	36	
Core Effective Tax Rate	\$1,587	\$363	22.9%

Diluted EPS Reconciliation

	Year Ended		Growth
	12/25/10	12/26/09	
Reported Diluted EPS	\$ 3.91	\$ 3.77	4%
Mark-to-Market Net Gain	(0.04)	(0.11)	
Restructuring and Impairment Charges	-	0.02	
Gain on Previously Held Equity Interests	(0.60)	-	
Merger and Integration Charges	0.40	0.03	
Inventory Fair Value Adjustments	0.21	-	
Venezuela Currency Devaluation	0.07	-	
Asset Write-Off	0.06	-	
Foundation Contribution	0.04	-	
Debt Repurchase	0.07	-	
Core Diluted EPS	\$ 4.13*	\$ 3.71	12%
Impact of Foreign Currency Translation			1
Core Constant Currency Diluted EPS			12%*

*Does not sum due to rounding.

Reconciliation of GAAP and Non-GAAP Information (cont.)
(\$ in millions, except as otherwise noted, and unaudited)

Net Cash Provided by Operating Activities Reconciliation

	<u>Year Ended</u> 12/25/10	<u>Year Ended</u> 12/26/09	<u>Change</u>
Net Cash Provided by Operating Activities.....	\$ 8,448	\$ 6,796	24%
Capital Spending	(3,253)	(2,128)	
Sales of Property, Plant and Equipment	81	58	
Management Operating Cash Flow	5,276	4,726	
Discretionary Pension and Retiree Medical Contributions (after-tax)	983	640	
Payments Related to 2009 Restructuring Charges (after-tax).....	20	168	
Merger and Integration Payments (after-tax)	299	49	
Foundation Contribution (after-tax)	64	-	
Debt Repurchase (after-tax)	112	-	
Capital Investments Related to the PBG/PAS Integration.....	138	-	
Management Operating Cash Flow Excluding above Items.....	<u>\$ 6,892</u>	<u>\$ 5,583</u>	23%

Net Capital Expenditures

	<u>Projected</u> <u>Full-Year 2011</u>
Reported Net Capital Expenditures	~\$3.65B
Capital Investments Related to the PBG/PAS Integration.....	(~0.15)B
Net Capital Expenditures Excluding above Item.....	<u>~\$3.5B</u>

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Core Growth and Core Constant Currency Growth*
(unaudited)

	Quarter Ended	
	12/25/10	
	Net Revenue	Operating Profit
<u>Frito-Lay North America</u>		
Reported Growth.....	-%	7%
Restructuring and Impairment Charges	-	-
Core Growth.....	-	7
Impact of Foreign Currency Translation	-	-
Core Constant Currency Growth	-%	7%
<u>Quaker Foods North America</u>		
Reported Growth.....	(3)%	(7)%
Restructuring and Impairment Charges	-	-
Core Growth.....	(3)	(7)
Impact of Foreign Currency Translation	(0.5)	(0.5)
Core Constant Currency Growth	(4)% **	(8)%**
<u>Latin America Foods</u>		
Reported Growth.....	9%	29%
Restructuring and Impairment Charges	-	-
Core Growth.....	9	29
Impact of Foreign Currency Translation	2	(1)
Core Constant Currency Growth	11%	28%
<u>PepsiCo Americas Foods</u>		
Reported Growth.....	3%	10%
Restructuring and Impairment Charges	-	-
Core Growth.....	3	10
Impact of Foreign Currency Translation	-	(1)
Core Constant Currency Growth	3%	9%
<u>PepsiCo Americas Beverages</u>		
Reported Growth.....	129%	40%
Restructuring and Impairment Charges	-	-
Merger and Integration Charges	-	26
Inventory Fair Value Adjustments.....	-	4.5
Core Growth.....	129	71**
Impact of Foreign Currency Translation	1	6
Core Constant Currency Growth	130%	77%

*Core results and core constant currency results are financial measures that are not in accordance with GAAP and exclude the above non-core adjustments.

**Does not sum due to rounding.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Core Growth and Core Constant Currency Growth*
(unaudited)

	Quarter Ended	
	12/25/10	
	Net Revenue	Operating Profit
<u>Europe</u>		
Reported Growth.....	36%	(16)%
Restructuring and Impairment Charges	-	-
Merger and Integration Charges	-	25
Core Growth.....	36	9
Impact of Foreign Currency Translation	5.5	4
Core Constant Currency Growth	<u>42%**</u>	<u>13%</u>
 <u>Asia, Middle East & Africa</u>		
Reported Growth.....	19%	31%
Restructuring and Impairment Charges	-	-
Core Growth.....	19	31
Impact of Foreign Currency Translation	(2)	(8)
Core Constant Currency Growth	<u>16%**</u>	<u>23%</u>
 <u>Total Divisions</u>		
Reported Growth.....	37%	14%
Restructuring and Impairment Charges	-	-
Merger and Integration Charges	-	9
Inventory Fair Value Adjustments.....	-	1
Core Growth.....	37	24
Impact of Foreign Currency Translation	1	1
Core Constant Currency Growth	<u>37%**</u>	<u>26%**</u>

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PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Core Growth and Core Constant Currency Growth*
(unaudited)

	Year Ended	
	12/25/10	
	Net Revenue	Operating Profit
<u>Frito-Lay North America</u>		
Reported Growth.....	1%	9%
Restructuring and Impairment Charges	—	—
Core Growth.....	1%	9%
Impact of Foreign Currency Translation	(1)	(1)
Core Constant Currency Growth	<u>0.5%**</u>	<u>8%</u>
<u>Quaker Foods North America</u>		
Reported Growth.....	(3)%	(10)%
Restructuring and Impairment Charges	—	—
Core Growth.....	(3)	(10)
Impact of Foreign Currency Translation	(1)	(1)
Core Constant Currency Growth	<u>(4)%</u>	<u>(10)%**</u>
<u>Latin America Foods</u>		
Reported Growth.....	11%	11%
Restructuring and Impairment Charges	—	—
Core Growth.....	11	11
Impact of Foreign Currency Translation	(1)	—
Core Constant Currency Growth	<u>10%</u>	<u>11%</u>
<u>PepsiCo Americas Foods</u>		
Reported Growth.....	3.5%	7%
Restructuring and Impairment Charges	—	—
Core Growth.....	3.5	7
Impact of Foreign Currency Translation	(1)	(1)
Core Constant Currency Growth	<u>3%**</u>	<u>6%</u>
<u>PepsiCo Americas Beverages</u>		
Reported Growth.....	102%	28%
Restructuring and Impairment Charges	—	(1)
Merger and Integration Charges	—	22
Inventory Fair Value Adjustments.....	—	16
Venezuela Currency Devaluation	—	—
Core Growth.....	102	64**
Impact of Foreign Currency Translation	—	4
Core Constant Currency Growth	<u>102%</u>	<u>68%</u>

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PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Core Growth and Core Constant Currency Growth*
(unaudited)

	Year Ended	
	12/25/10	
	Net Revenue	Operating Profit
<u>Europe</u>		
Reported Growth.....	38%	9%
Restructuring and Impairment Charges	-	-
Merger and Integration Charges	-	12
Inventory Fair Value Adjustments.....	-	4
Core Growth.....	38	25
Impact of Foreign Currency Translation	2	1
Core Constant Currency Growth	40%	26%
<u>Asia, Middle East & Africa</u>		
Reported Growth.....	19%	4%
Restructuring and Impairment Charges	-	(2)
Core Growth.....	19	2
Impact of Foreign Currency Translation	(4)	(4)
Core Constant Currency Growth	15%	(2)%
<u>Total Divisions</u>		
Reported Growth.....	34%	12%
Restructuring and Impairment Charges	-	-
Merger and Integration Charges	-	7
Inventory Fair Value Adjustments.....	-	5
Core Growth.....	34	23**
Impact of Foreign Currency Translation	(1)	1
Core Constant Currency Growth	33%	23%**

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