

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.

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. The 53rd week increased net revenue by \$623 million and operating profit by \$109 million in the quarter and year ended December 31, 2011.

Commodity mark-to-market net impact

In the quarter and year ended December 31, 2011, we recognized \$71 million and \$102 million, respectively, of mark-to-market net losses on commodity hedges in corporate unallocated expenses. 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 year ended December 30, 2006, we recognized \$18 million of mark-to-market net losses 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 31, 2011, we incurred merger and integration charges of \$155 million related to our acquisitions of PBG, PAS and WBD, including \$35 million recorded in the PAB segment, \$106 million recorded in the Europe segment and \$14 million recorded in corporate unallocated expenses. In the year ended December 31, 2011, we incurred merger and integration charges of \$329 million related to our acquisitions of PBG, PAS and WBD, including \$112 million recorded in the PAB segment, \$123 million recorded in the Europe segment, \$78 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. These charges also include closing costs and advisory fees related to our acquisition of WBD. 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 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. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, in the year ended December 25, 2010, we recorded \$9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income.

Restructuring charges

In the quarter and year ended December 31, 2011, we incurred charges of \$383 million in conjunction with our multi-year productivity plan (Productivity Plan), including \$76 million recorded in the FLNA segment, \$18 million recorded in the QFNA segment, \$48 million recorded in the LAF segment, \$81 million recorded in the PAB segment, \$77 million recorded in the Europe segment, \$9 million recorded in the AMEA segment and \$74 million recorded in corporate unallocated expenses. The Productivity Plan includes actions in all segments of our business that we believe will strengthen our complementary food, snack and beverage businesses through a new integrated operating model designed to streamline our organization, accelerate information sharing, facilitate timely decision-making and drive operational productivity. In the year ended December 30, 2006, we recorded restructuring and impairment charges of \$67 million in conjunction with consolidating the manufacturing network at Frito-Lay.

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.

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Inventory fair value adjustments

In the quarter ended December 31, 2011, we recorded \$5 million of incremental costs 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 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. In the quarter ended December 25, 2010, in the PAB segment, we recorded \$24 million of incremental costs, substantially all in costs 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.

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.

Asset write-off

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.

Tax adjustments

In the year ended December 30, 2006, we recorded non-cash tax benefits of \$602 million, substantially all of which related to the Internal Revenue Service's (IRS's) examination of our consolidated income tax returns for the years 1998 through 2002. In 2006, PBG also recorded non-cash tax benefits in connection with the IRS's examination of certain of their consolidated income tax returns. We recorded our share of \$18 million of these tax benefits in bottling equity income.

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.

Reconciliation of GAAP and Non-GAAP Information (cont.)
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2012 and beyond guidance

Our 2012 core tax rate guidance, our 2012 core constant currency division operating profit and EPS guidance and our long-term core constant currency division operating profit and EPS growth targets exclude the commodity mark-to-market net impact included in corporate unallocated expenses, merger and integration charges, and restructuring and impairment charges. In addition, our 2012 core constant currency division operating profit and EPS guidance and our long-term constant currency net revenue and core constant currency division operating profit and EPS growth targets exclude the impact of foreign exchange. We are not able to reconcile our full-year projected 2012 core tax rate to our full-year projected 2012 reported tax rate or our full-year projected 2012 core constant currency division operating profit and EPS growth or our long-term core constant currency division operating profit and EPS growth targets to our full-year projected 2012 and long-term reported results because we are unable to predict the 2012 and long-term impact 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. In addition, we are unable to reconcile our long-term core constant currency net revenue growth target to our long-term reported net revenue growth because we are unable to predict the long-term 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.

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

Operating Profit Growth Reconciliation

	Quarter Ended		Growth
	12/31/11	12/25/10	
Core Division Operating Profit Growth	\$3,124	\$2,827	10%
53 rd Week	127	–	
Merger and Integration Charges	(141)	(200)	
Restructuring Charges	(309)	–	
Inventory Fair Value Adjustments	(5)	(24)	
Division Operating Profit Growth	2,796	2,603	7%
Impact of Corporate Unallocated	(549)	(372)	
Reported Total Operating Profit Growth	<u>\$2,247</u>	<u>\$2,231</u>	1%

	Year Ended		Growth
	12/31/11	12/25/10	
Core Division Operating Profit Growth	\$11,329	\$10,626	7%
53 rd Week	127	–	
Merger and Integration Charges	(235)	(578)	
Restructuring Charges	(309)	–	
Venezuela Currency Devaluation	–	9	
Inventory Fair Value Adjustments	(46)	(398)	
Division Operating Profit Growth	10,866	9,659	13%
Impact of Corporate Unallocated	(1,233)	(1,327)	
Reported Total Operating Profit Growth	<u>\$ 9,633</u>	<u>\$8,332</u>	16%

Net Revenue Reconciliation

	Quarter Ended		Growth
	12/31/11	12/25/10	
Reported Net Revenue	\$20,158	\$18,155	11%
53 rd Week	(623)	–	
Core Net Revenue	<u>\$19,535</u>	<u>\$18,155</u>	8%

	Year Ended		Growth
	12/31/11	12/25/10	
Reported Net Revenue	\$66,504	\$57,838	15%
53 rd Week	(623)	–	
Core Net Revenue	<u>\$65,881</u>	<u>\$57,838</u>	14%

Diluted EPS Reconciliation

	Quarter Ended		Growth
	12/31/11	12/25/10	
Reported Diluted EPS	\$ 0.89	\$ 0.85	5%
53 rd Week	(0.04)	–	
Mark-to-Market Net Losses/(Gains)	0.03	(0.01)	
Merger and Integration Charges	0.08	0.13	
Restructuring Charges	0.18	–	
Inventory Fair Value Adjustments	–	0.01	
Debt Repurchase	–	0.07	
Core Diluted EPS	<u>\$ 1.15*</u>	<u>\$ 1.05</u>	9%

*Does not sum due to rounding.

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(\$ in millions, except per share amounts or as otherwise noted, and unaudited)

Diluted EPS Reconciliation

	Year Ended		Growth
	12/31/11	12/25/10	
Reported Diluted EPS.....	\$ 4.03	\$ 3.91	3%
53 rd Week.....	(0.04)	-	
Mark-to-Market Net Losses/(Gains).....	0.04	(0.04)	
Gain on Previously Held Equity Interests.....	-	(0.60)	
Merger and Integration Charges.....	0.17	0.40	
Restructuring Charges.....	0.18	-	
Inventory Fair Value Adjustments.....	0.02	0.21	
Venezuela Currency Devaluation.....	-	0.07	
Asset Write-Off.....	-	0.06	
Foundation Contribution.....	-	0.04	
Debt Repurchase.....	-	0.07	
Core Diluted EPS.....	<u>\$ 4.40</u>	<u>\$ 4.13*</u>	7%

*Does not sum due to rounding.

Net Cash Provided by Operating Activities Reconciliation

	Year Ended
	12/31/11
Net Cash Provided by Operating Activities.....	\$ 8,944
Capital Spending.....	(3,339)
Sales of Property, Plant and Equipment.....	84
Management Operating Cash Flow.....	5,689
Discretionary Pension Contributions (after-tax).....	44
Payments Related to Restructuring Charges (after-tax).....	21
Merger and Integration Payments (after-tax).....	283
Capital Investments Related to the PBG/PAS Integration.....	108
Management Operating Cash Flow Excluding above Items.....	<u>\$ 6,145</u>

Net Cash Provided by Operating Activities Reconciliation (in billions)

	2012 Guidance
Net Cash Provided by Operating Activities.....	~\$ 7.8
Net Capital Spending.....	~(2.9)
Management Operating Cash Flow.....	~4.9
Payments Related to Restructuring Charges (after-tax).....	~0.5
Discretionary Pension and Retiree Medical Contributions (after-tax).....	~0.7
Capital Investments Related to the PBG/PAS Integration.....	~0.1
Management Operating Cash Flow Excluding above Items.....	<u>~\$ 6.1*</u>

*Does not sum due to rounding.

Net Revenue Reconciliation (5-Year CAGR)

	Year Ended	Year Ended	CAGR
	12/30/06	12/31/11	
Reported Net Revenue.....	\$35,137	\$66,504	14%
53 rd Week.....	-	(623)	
Core Net Revenue.....	<u>\$35,137</u>	<u>\$65,881</u>	13%

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Operating Profit Reconciliation (5-Year CAGR)

	Year Ended 12/30/06	Year Ended 12/31/11	CAGR
Reported Operating Profit	\$6,502	\$ 9,633	8%
53 rd Week	-	(109)	
Mark-to-Market Net Losses	18	102	
Merger and Integration Charges	-	313	
Restructuring and Impairment Charges.....	67	383	
Inventory Fair Value Adjustments	-	46	
Core Operating Profit	<u>\$6,587</u>	<u>\$10,368</u>	9%

Diluted EPS Reconciliation (5-Year CAGR)

	Year Ended 12/30/06	Year Ended 12/31/11	CAGR
Reported Diluted EPS	\$ 3.34	\$ 4.03	4%
53 rd Week	-	(0.04)	
Mark-to-Market Net Losses	0.01	0.04	
Merger and Integration Charges	-	0.17	
Restructuring and Impairment Charges.....	0.03	0.18	
Inventory Fair Value Adjustments	-	0.02	
Tax Benefits	(0.37)	-	
Core Diluted EPS	<u>\$ 3.01</u>	<u>\$ 4.40</u>	8%

Operating Margin Reconciliation

	Year Ended 12/31/11		Margin
	Net Revenue	Operating Profit	
Reported Operating Margin	\$66,504	\$ 9,633	14%
53 rd Week	(623)	(109)	
Mark-to-Market Net Losses	-	102	
Merger and Integration Charges.....	-	313	
Restructuring Charges	-	383	
Inventory Fair Value Adjustments	-	46	
Core Operating Margin	<u>\$65,881</u>	<u>\$10,368</u>	16%

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ROIC (Return on Invested Capital) Reconciliation

	Year Ended 12/31/11
Reported ROIC	14%
Impact of Cash, Cash Equivalents and Short-Term Investments	1
Restructuring Charges	1
Merger and Integration Charges.....	1
Core Net ROIC	<u>17%</u>

Note: All other reconciling items to reported ROIC round to zero.

ROE (Return on Equity) Reconciliation

	Year Ended 12/31/11
Reported ROE.....	29%
Restructuring Charges	1
Merger and Integration Charges.....	1
Core ROE	<u>31%</u>

Note: All other reconciling items to reported ROE round to zero.