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PepsiCo, Inc. Third Quarter 2011 Earnings Call

Safe Harbor Statement, Glossary of Terms and Non-GAAP Information



Safe Harbor Statement

Statements in this communication that are "forward-looking statements," including our 2011 guidance, are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such forward-looking statements. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo's products, as a result of changes in consumer preferences and tastes or otherwise; damage to PepsiCo's reputation; PepsiCo's ability to grow its business in developing and emerging markets or unstable political conditions, civil unrest or other developments and risks in the countries where PepsiCo operates; trade consolidation or the loss of any key customer; changes in the legal and regulatory environment; PepsiCo's ability to build and sustain proper information technology infrastructure, successfully implement its ongoing business transformation initiative or outsource certain functions effectively; unfavorable economic conditions in the countries in which PepsiCo operates; fluctuations in foreign exchange rates; PepsiCo's ability to compete effectively; increased costs, disruption of supply or shortages of raw materials and other supplies; disruption of PepsiCo's supply chain; climate change, or legal, regulatory or market measures to address climate change; PepsiCo's ability to hire or retain key employees or a highly skilled and diverse workforce; failure to successfully renew collective bargaining agreements or strikes or work stoppages; and failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo's existing operations.

For additional information on these and other factors that could cause PepsiCo's actual results to materially differ from those set forth herein, please see PepsiCo's filings with the SEC, including its most recent annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. PepsiCo undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Glossary of Terms

Please refer to the glossary appearing at the end of this slide presentation to find definitions for abbreviations and financial terms used herein.

Non-GAAP Information

Please refer to the "Investors" section of PepsiCo's web site at www.pepsico.com under the heading "Investor Presentations" to find disclosure and a reconciliation of any Non-GAAP financial measures contained herein.



Q3 Highlights

- **Volume growth in both snacks and beverages drove revenue growth of 9% ex-Wimm-Bill-Dann**
 - Worldwide snacks volume grew 8%
 - Worldwide beverage volume increased by 4%
- **Global nutrition portfolio grew revenues 8% ex-acquisitions**
- **Core division operating profit was up 6% with Core EPS growth of 7%**
- **Implemented incremental pricing actions in the quarter as planned, with net pricing and volume growth in-line with expectations**



PepsiCo Strategic Imperatives

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Build and extend our macrosnacks portfolio

2

Sustainably and profitably grow our beverage business worldwide

3

Build and expand our nutrition businesses

4

Unleash the power of Power of One

5

Ensure prudent, responsible financial management

Build & Extend Our Macrosnacks Portfolio



- **Global snacks volume increased 8%, with snacks revenue growth of 12% ex-Wimm-Bill-Dann**
- **FLNA delivered 4% revenue growth and 6% operating profit growth**
 - Pleased with consumer response to pricing actions
 - Delivered top-line growth in most of our large snack brands with Lay's, Doritos, Cheetos and Ruffles each posting solid revenue growth
 - Growth in C&G driven by innovation, where FLNA has 6 of the top 7 new items in the channel
- **Increased snacks volume in 8 out of 10 top international snack markets and delivered double-digit revenue growth in 19 of our top 20 snack markets**
 - China snacks volume +31%, India +26%, Turkey +22%

Sustainably & Profitably Grow Our Beverage Business Worldwide



- **Achieved 4% worldwide beverage volume growth, with 6% worldwide beverage revenue growth ex-Wimm-Bill-Dann**
 - Strong net price realization
 - Top line growth well balanced across markets
- **Emerging markets beverage volume continues to be generally strong**
 - India beverage volume +19%, Turkey +16%, Saudi Arabia +12%
 - Double-digit revenue growth and strong unit growth in China behind introduction of value-oriented 500ml package
- **In North America, making progress on highest priorities**
 - Trop 50 grew volume 50% in Q3'11 lapping 37% volume growth in Q3'10
 - Gatorade delivered the greatest absolute volume growth of any trademark in the U.S. LRB category
 - Pushing forward with innovation, marketing and value plan for CSDs

Build & Expand Our Nutrition Business



- **Nutrition products grew net revenue 8% ex-acquisitions**
- **Growth resulting from Gatorade and Tropicana initiatives and strong Quaker international growth**
- **Dairy platform continues to perform very well**

Unleash the Power of Power of One



- **PepsiCo value is maximized as one company**
- **International operations are highly integrated**
 - Build business in beverages following with snacks
 - Beverage and snack leadership is comprised of one team outside the Americas
 - Some countries have fully integrated snack and beverage business models
- **Shared elements of the value chain across snacks and beverages**
 - Back office shared services: accounting, call centers, IT, transaction processing
 - R&D synergies across platforms: flavors, packaging, materials
 - Procurement through one center of excellence
 - Piloting promising in-store mid-day merchandising models

Ensure Prudent, Responsible Financial Management



- **Core EPS increased 7% in the quarter with core division operating profit up 6% in the quarter**
- **Took incremental pricing to partially offset commodity inflation**
- **Operating margins compressed somewhat, as expected, due to commodity inflation and reversal of concentrate shipment timing benefit in Q2'11**
- **Elasticities are largely in-line with our expectations**



Focus for Balance of 2011

- **Continue to support brand-building and consumer-facing initiatives**
- **Staying committed to emerging market initiatives, especially those extending go-to-market reach**
- **Carefully balance pricing and value as we manage through commodity inflation**
- **Accelerating and intensifying our productivity agenda across our entire compressible cost structure**



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Glossary



Glossary of Terms

Financial Terms

- **Core:** Core results are non-GAAP financial measures which exclude certain non-core items in all periods presented. Please refer to the “Investors” section of PepsiCo’s web site at www.pepsico.com under the heading “Investor Presentations” to find disclosure and a reconciliation of any Non-GAAP financial measures contained herein.



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Tropicana

