

PepsiCo and Quaker Oats will file a proxy statement/prospectus and other relevant documents concerning the proposed merger transaction with the SEC. INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. You will be able to obtain the documents free of charge at the website maintained by the SEC at www.sec.gov. In addition, you may obtain documents filed with the SEC by PepsiCo free of charge by requesting them in writing from PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577, Attention: Secretary, or by telephone at (914) 253-2000. You may obtain documents filed with the SEC by Quaker Oats free of charge by requesting them in writing from The Quaker Oats Company, 321 North Clark Street, Chicago, Illinois 60610, Attention: Corporate Secretary, or by telephone at (312) 222-7111.

PepsiCo and Quaker Oats, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the stockholders of PepsiCo and Quaker Oats in connection with the merger. Information about the directors and executive officers of PepsiCo and their ownership of PepsiCo shares is set forth in the proxy statement for PepsiCo's 2000 annual meeting of shareholders. Information about the directors and executive officers of Quaker Oats and their ownership of Quaker Oats stock is set forth in the proxy statement for Quaker's 2000 annual meeting of stockholders. Investors may obtain additional information regarding the interests of such participants by reading the proxy statement/prospectus when its becomes available.

PEPSI LOGO

FRITO LAY LOGO

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News from PepsiCo, Inc.

Purchase, New York Telephone: 914-253-2725 www.pepsico.com

Contact: Richard M. Detwiler, Jr.
Vice President, Public Relations
or
Mark Dollins at Quaker Oats Company
312-222-7399

PEPSICO TO ACQUIRE THE QUAKER OATS COMPANY

Acquisition Creates Big Growth Opportunities and Synergies Across Snack and Beverage Portfolio; Combination Also To Accelerate Leadership Changes

PURCHASE, NY and CHICAGO, IL, Dec. 4 -- PepsiCo, Inc. and The Quaker Oats Company said today they have reached an agreement for PepsiCo to acquire Quaker in a tax-free transaction which features PepsiCo exchanging 2.3 shares of its stock for each share of Quaker, up to a maximum value of \$105 for each Quaker share. There is no guaranteed price protection or "collar." However, if the value to Quaker shareholders falls below \$92 per share, there is a provision for Quaker to exit the deal without penalty.

The addition of Quaker is expected to be accretive to PepsiCo's earnings per share in the first full year and thereafter. The acquisition will immediately improve PepsiCo's return on invested capital by 200 basis points. The addition of Quaker will also enhance PepsiCo's ongoing sales and profit growth rates. The transaction will be accounted for as a pooling of interests and is expected to close in the first half of next year, subject to approval by PepsiCo and Quaker shareholders and expiration of the Hart-Scott-Rodino Antitrust waiting period and other customary approvals. PepsiCo also said the stock transaction would require the issuance of approximately 315 million new shares to Quaker shareholders.

"This will be a truly outstanding combination," said Roger A. Enrico, PepsiCo Chairman and Chief Executive Officer. "Bringing together Quaker and PepsiCo creates a wealth of exciting growth opportunities as well as important cost and selling synergies. It is also very consistent with our sharp focus on convenient food and beverages."

Quaker Chairman Robert S. Morrison said, "Over the last three years, The Quaker Oats Company has outpaced the growth of the U.S. food and beverage industry. It's a testament to our strong brands, talented people and operating effectiveness. Combining with the world-renowned

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- more -

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"As this deal got closer to becoming a reality, our focus shifted to implementation and that's all about leadership, which is another great asset that PepsiCo and Quaker share," Enrico said. "Bob Morrison and the entire Quaker management team have done an outstanding job and we are looking forward to welcoming them to PepsiCo."

"Thinking about Bob's role led me to reconsider my role and that of Steve Reinemund, our President and Chief Operating Officer, who we'd already decided would succeed me as CEO and Chairman," Enrico continued. "It became clear that Bob and I should share the same priorities -- working closely with Steve to ensure that PepsiCo stays on the steady course we've engineered over the last four years, and that the Quaker integration is quickly accretive from the top line to the bottom line and from a cash flow and people standpoint."

"That led me to recommend several important moves to the Board, which they intend to make when the deal is completed. Bob Morrison and I will become Vice Chairmen, and Steve Reinemund will become Chairman and CEO. In addition, PepsiCo's Chief Financial Officer, Indra Nooyi, will become President at that time, while retaining her Chief Financial Officer responsibilities."

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The acquisition of Quaker provides PepsiCo with several key strategic and economic benefits:

- o Quaker's powerful Gatorade brand, the world's number one sports drink, will make PepsiCo the clear leader in non-carbonated beverages, the fastest growing sector of the beverage industry. Additionally, leveraging the much larger scale of Gatorade's vast warehouse distribution system will enable PepsiCo's Tropicana juice unit to gain the scale it needs to make its ambient juice brands stronger and more profitable.

- more -

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Combining PepsiCo and Quaker will create a company with an exceptionally strong position in the rapidly growing market for convenient foods and beverages. The combined company, which will retain the PepsiCo name, will have pro forma revenues of \$25 billion. Its expected market capitalization of more than \$80 billion will place it among the world's five largest consumer products companies.

Merrill Lynch served as advisor to PepsiCo, Inc. and Goldman Sachs served as lead advisor to Quaker Oats. JP Morgan also served as an advisor to Quaker Oats.

PepsiCo will hold a presentation for investors regarding the transaction that will be available via webcast and telephone at 9:00 a.m. (Eastern Standard Time) today. Investors interested in accessing the webcast may do so through PepsiCo's website (www.PepsiCo.com) or directly at www.vcall.com/NASApp/VCall/EventPage?ID=57020. Investors interested in listening to the presentation by telephone should call 1-800-946-0719, the reservation number required for the call is 496950. The presentation will be repeated for those interested in listening later.

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[Roger Letterhead]

December 4, 2000

Dear (Personalized from "Top to Top" List?)

I have some great news to share: This morning PepsiCo announced plans to acquire Quaker Oats, creating a powerhouse in the packaged goods industry and an even tighter connection with your business. As described in the attached press release, this is a milestone agreement - one that will dramatically enhance our ability to meet your needs in the fast-growing segment of convenient foods and beverages.

Today marks a new and exciting chapter in PepsiCo's history. With Quaker complementing Pepsi, Frito-Lay, Tropicana and, most recently, SoBe, we'll be calling on you with an unmatched portfolio of powerful and innovative products. I'm tremendously excited about what these great brands can do together - and what they will mean to you and your customers.

I'm no less enthusiastic about our new management team. With the completion of this merger, Steve Reinemund will become PepsiCo's Chairman and CEO, a move we announced earlier this fall. Steve is an executive of the highest integrity, character and vision. He's also the right person to take this company - and our partnership with you - to new heights.

But he won't be alone. I'm delighted to let you know that Quaker Chairman and CEO Robert Morrison will join our leadership team as Vice Chairman, while continuing to run Quaker. Steve also will count on the continued insight and leadership of Indra Nooyi, who will be named President and Chief Financial Officer. I'll be working closely with Steve, Bob and Indra over the next year or two, offering advice and doing my part to ensure a smooth transition.

I hope you share my enthusiasm for the new PepsiCo and look forward to working with you in the days to come.

As always, thank you very much for your business and for your support.

December 4, 2000

TO: All PCNA Bottlers
RE: Quaker Oats Acquisition

I'm sure you've already heard: PepsiCo has made the much-anticipated move to acquire Quaker Oats. As you'll see in the attached news release and letter from Roger Enrico, this is an epic agreement, with tremendous upside potential.

Together, PepsiCo and Quaker are unveiling an unmatched portfolio of powerhouse brands, a winning leadership team and a bold strategic vision to be the player in convenient foods and beverages.

On the beverage side, Quaker's forceful Gatorade brand will push PepsiCo well ahead in the fast-growing non-carbonated field. Beyond our core CSD business, Gatorade caps an already winning beverage lineup, including Tropicana, Aquafina, FruitWorks, Lipton, Frappuccino and SoBe - all leaders in their respective categories.

Gatorade is the world's number-one sports drink - by far. Yet, as with everything we do, there are compelling opportunities for PepsiCo and its divisions to develop this great brand even further. There are no plans to change Quaker's current warehouse distribution system, but we may explore channel-specific opportunities for our bottling system.

As you'll read and see in the media, it will probably be several months before this transaction is completed. We will let you know about any further development as the dust settles on this momentous agreement.

Sincerely,

/s/ Gary

From: Enrico, Roger (Broadcast)
Sent: Monday, December 04, 2000 9:11 AM
Subject: Announcement

December 4, 2000

Dear Colleagues:

I'm delighted to tell you that this morning we made a very exciting and historic announcement. PepsiCo has reached an agreement to acquire the Quaker Oats Company in a transaction valued at \$14 billion.

If you've read the newspapers lately, most of what's been written about Quaker has focused on the company's extraordinarily successful Gatorade brand. Gatorade is a wonderful brand. But it's just the beginning of why Quaker was so attractive to PepsiCo. The real news is that buying Quaker has very positive implications for all of our businesses.

As you'll see in the news release that follows, the deal will help drive growth and efficiencies at Frito-Lay, at Pepsi-Cola and at Tropicana. In short, it creates a whole range of exciting opportunities for our businesses and for all of us -- and being part of PepsiCo will give a big boost to Quaker and our new colleagues.

You'll also see in our announcement that the completion of the acquisition next year will trigger several important changes in our management team:

- * Steve Reinemund will become Chairman and Chief Executive Officer.
- * Indra Nooyi will become President, in addition to being Chief Financial Officer, and will be nominated for election to our board of directors.

- * Quaker Chairman, President and CEO Bob Morrison will join PepsiCo as a Vice Chairman as well as Chairman and CEO of the Quaker portion of PepsiCo. He too will be nominated for election to the board of directors.

- * I'll also become a Vice Chairman, helping to ensure a smooth consolidation of these two great companies. In light of the Quaker development I felt it best that Steve become Chairman a little sooner than we originally planned.

As I look at PepsiCo today I see a company in great shape, better than we've been in many years. And when we join with Quaker, our prospects for healthy, consistent growth will be even brighter.

Please join me in welcoming to the PepsiCo family our 12,000 new colleagues at Quaker.

Regards,

Roger

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Quaker Chairman Robert S. Morrison said, "Over the last three years, The Quaker Oats Company has outpaced the growth of the U.S. food and beverage industry. It's a testament to our strong brands, talented people and operating effectiveness. Combining with the world-renowned PepsiCo organization will unleash the tremendous global growth potential of the Gatorade brand and leverage the strengths of our foods business."

- - more -

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- - more -

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CONFERENCE CALL REMARKS

Bob Morrison

Monday, December 4, 2000

9:00 a.m. (EST)

Thank you, Roger.

My comments will be brief.

I simply want all of you who are listening--analysts, shareholders, the business press and our employees--to know that I'm really thrilled with the prospect of combining Quaker Oats with PepsiCo.

o First of all, this merger is a wonderful thing for our shareholders.

For the three-years through Oct. 31 of this year -just two days before takeover rumors hit the press -- Quaker shareholders have seen an average annual total return of nearly 22 percent, a return that far outdistances the performance of any of our peers over that period.

At Friday's close, the anticipated Pepsi deal will provide a premium of nearly 20 percent on top of the October 31 price.

Clearly, this represents an extremely attractive immediate return.

(PAUSE)

But, of even greater importance to those shareholders who take a longer-term view, there is an opportunity here to participate in one of the most dramatic growth stories in food and beverage history.

Many of you are sadly aware that, in recent times, mergers, in our industry or others, often bring together one struggling company with another--or, at best, one struggling company with one that's performing well.

This merger is unusual, if not unique, in that it is combining two companies that are both firing on all cylinders--leading their industries in every respect.

This combination presents the prospects of a truly awesome growth story and, therefore, impressive future returns for our shareholders, over time.

(PAUSE)

o This merger is also wonderful for our employees.

Quaker employees are winners. This merger will provide them with an order-of-magnitude increase in the resources available to keep on winning in the marketplace.

The merger will also provide them with an opportunity to grow, on a personal level, in a company long known for identifying and developing a diverse group of strong leaders.

Our employees will thrive in this environment and will see greater career growth possibilities than were possible in a stand-alone Quaker Oats company.

(PAUSE)

I'm genuinely excited to join Roger, Steve and Indra as a part of the PepsiCo leadership team.

I firmly believe we're going to do great things together.

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QUAKER LOGO

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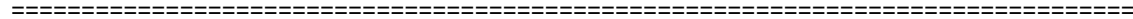
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Transaction Terms

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Transaction Structure: Stock-for-stock merger of PepsiCo and Quaker Oats
Exchange Ratio: 2.3 shares of PepsiCo common stock per Quaker Oats share
with a cap of \$105 per Quaker Oats share
Transaction Value: Approximately \$14 billion
Pro Forma Ownership: PepsiCo 83%, Quaker Oats 17%
Accounting Treatment: Pooling-of-interests accounting
Tax Treatment: Tax-free reorganization
Board of Directors: Robert Morrison to be nominated for election to
PepsiCo Board of Directors
Deal Protection: \$420 million breakup fee
19.9% option over Quaker Oats stock
Walkaway: Quaker Oats walkaway right below \$40 subject to
PepsiCo top-up to \$92 per Quaker Oats share
Expected Closing Date: First Half of 2001

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The 'New' PepsiCo: A Premier Consumer Products Company



- o Three high growth businesses

TROPICANA
LOGO

PEPSI
LOGO

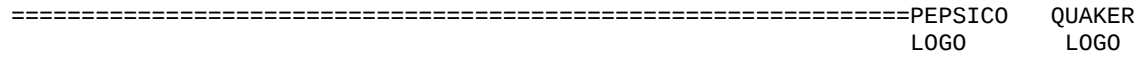
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- o Clear financial objectives

- o 6-7% top line growth
- o 10-11% operating profit growth
- o 12-13% EPS growth
- o 50-100 basis points of ROIC improvement per annum

- o Financially disciplined

- o 5 quarters of consistent, solid growth - exceeding expectations
- o Stringent strategic criteria and financial screen for acquisitions



Long-Term Financial Algorithm

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	Revenue Growth 2000-2005	EBIT Growth 2000-2005	EPS Growth 2000-2005	ROIC 2000-2005
PepsiCo Standalone	6-7%	10-11%	12-13%	22%
Quaker Standalone	5-6%	8-9%	10-12%	41%
Pro Forma PepsiCo(a)	7%+	11%+	13-14%	24%

+600-700 bps
by Yr. 5

(a) Pro Forma PepsiCo/Quaker with synergies

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Gatorade: Powerhouse Beverage Business

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Sales (\$B)					EBIT (\$MM)				
\$B	\$1.5	\$1.7	\$1.8	\$2.1	\$MM	\$187	\$233	\$263	\$286

[GRAPHIC OMITTED]

[GRAPHIC OMITTED]

1997	1998	1999	2000E	1997	1998	1999	2000E
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3 yr CAGR:

12%

3 yr CAGR:

15%

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Gatorade: Financial Assumptions

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2000-05 CAGR

	Revenues	EBIT
Gatorade base case	9.4%	13.5%

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PepsiCo's US Beverage Portfolio

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Pepsi-Cola
Refreshment Beverages

Tropicana
Functional Beverages

Carbonated
Soft Drinks

Non-Carbonated
Refreshment Beverages

Ambient
Juice & Juice Drinks

Chilled
Juices

Pepsi TM
Diet Pepsi
Pepsi One
Mountain Dew
Diet Mountain Dew
Sierra Mist
Slice
Mug

Aquafina
Lipton Iced Tea
Lipton Brisk
Frappuccino
Fruitworks
All Sport
Dole
SoBe

Seasons Best
Tropicana Twister

Tropicana Pure
Premium
Seasons Best
Dole

|
Non Carbonated Beverages

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US Beverage Market Overview

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2000 US Retail \$ Sales - \$ 81 B

2000 US Volume Shares

CSD 72%

[GRAPHIC OMITTED]

Non-CSD 28%

Coca-Cola 16%

Gatorade 8%

Tropicana 8%

Lipton 3%

Aquafina 2%

All Others
60%

Other Pepsi(a)
3%

PepsiCo 25%

Sales CAGRs

	1995-2000	2000-2005 proj
CSDs:	3 %	2 - 3%
Non-CSDs:	7 %	8 - 9%

CSDs: 3 % 2 - 3%

Non-CSDs: 7 % 8 - 9%

(a) Includes All Sport, Frappuccino, Fruitworks, SoBe and others

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Gatorade: Financial Modeling 2000 - 05 CAGR

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	Revenues	EBIT
	-----	-----
Base case	9.4%	13.5%
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Revenue Synergies

- - - - -

Increase US Gatorade penetration thru Pepsi Bottling network	Not Included (NI)	NI
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Gatorade: Financial Modeling 2000 - 05 CAGR

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	Revenues	EBIT
	-----	-----
Base case	9.4%	13.5%
- - - - -		
Revenue Synergies		
- - - - -		
Increase US Gatorade penetration thru Pepsi Bottling network	Not Included (NI)	NI
Increased International Growth for Gatorade	NI	NI

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Gatorade: Financial Modeling 2000 - 05 CAGR

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	Revenues -----	EBIT -----
Base case -----	9.4%	13.5%
Revenue Synergies -----		
Increase US Gatorade penetration thru Pepsi Bottling network	Not Included (NI)	NI
Increased International Growth for Gatorade	NI	NI
Tropicana growth thru Gatorade distribution	\$400MM in Yr. 5	\$45MM (by Yr. 5)

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Gatorade: Financial Modeling 2000 - 05 CAGR

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	Revenues -----	EBIT -----
Base case -----	9.4%	13.5%
Revenue Synergies -----		
Increase US Gatorade penetration thru Pepsi Bottling network	Not Included (NI)	NI
Increased International Growth for Gatorade	NI	NI
Tropicana growth thru Gatorade distribution	\$400MM in Yr. 5	\$45MM (by Yr. 5)
Cost Synergies -----		
Procurement Savings	-	\$60MM (by Yr. 5)

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Gatorade: Financial Modeling 2000 - 05 CAGR

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SG&A Consolidation w/Tropicana		
Hotfill manufacturing & logistics management	-	\$65MM (by Yr. 5)

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Innovation from nutrition/physiology centers	NI	NI

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Gatorade: Financial Modeling 2000 - 05 CAGR

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Building future capabilities -----		
Innovation from nutrition/physiology centers	NI	NI
International network build-out for hot fill mfg.	NI	NI

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Snack Foods: Leadership Brands in Growth Categories

	Key Brands	Market Position	1 Yr. Mkt. Growth
Granola Bars	Quaker Chewy	#1	7%
Fruit/Oatmeal Bars	Quaker	#1	42%
Energy Bars	Gatorade	-	45%
Rice Cakes	Crispy 'Minis', Quaker	#1	2%

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Quaker Snacks: Performance TrendsXXXXXXXXX

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Sales (\$MM)					EBIT (\$MM)				
\$MM	\$287	\$310	\$334	\$382	\$MM	\$46	\$50	\$54	\$62

[GRAPHIC OMITTED]

[GRAPHIC OMITTED]

1997	1998	1999	2000E	1997	1998	1999	2000E
------	------	------	-------	------	------	------	-------

3 Year CAGR: 10%

3 Year CAGR: 10%

1 Year CAGR: 14%

1 Year CAGR: 14%

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Quaker Snacks: Financial Projections

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2000 - 05 CAGR*

	Revenue	EBIT*
Base Growth Rate	8.0%	10.8%
Additional Revenue upsides thru distribution gains	\$200MM by Yr. 5	\$34MM by Yr. 5
International Distribution gains	Not Included (N.I.)	N.I.

*All numbers are approximate

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Quaker Snacks: Financial Projections

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	2000 - 05 CAGR*	
	Revenue*	EBIT*
	-----	-----
Base Growth Rate	8.0%	10.8%
Additional Revenue upsides thru distribution gains	\$200MM by Yr. 5	\$34MM by Yr. 5
International Distribution gains	Not Included (N.I.)	N.I.
-----	-----	-----
Leveraging Quaker brand into A.M. snacks	N.I.	N.I.
Leveraging Gatorade trademark into p.m. snacking	N.I.	N.I.
Additional Nutrition Snacks	N.I.	N.I.

*All numbers are approximate

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Other Food Business: Leadership Brands

 2000E Other Food Sales Mix(a)(\$MM)

[Aunt Jemima logo omitted]			[Quaker Oatmeal logo omitted]
#1 Syrup			#1 Hot Cereal
Rice Pilaf [logo omitted]	International Foods 20%	US Hot Cereal 20%	
Rice A Roni [logo omitted]	Other US/Canada Foods 12%		[CAP'N CRUNCH logo omitted]
#1 Value-Added Rice]	Aunt Jemima 6%		
	Golden Grain 14%	US RTE Cereal 28%	
			[LIFE logo omitted]

 2000E Sales: \$2.6B
 2000E EBIT Margin: 17%
 1996-2000E EBIT CAGR: 4%

(a) 2000 estimates

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Long-Term Financial Assumptions

CAGR 2000 - 2005

	Revenue	EBIT
PepsiCo Standalone	7.2%	10.2%
Quaker Standalone	6.4%	8.7%
- Gatorade	9.4%	13.5%
- Snacks	8.0%	10.8%
- Food	3.3%	4.5%

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Synergy Opportunities: 2000 - 05

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	Revenue (\$MM)	EBIT (\$MM)
	-----	-----
Standalone PepsiCo	6 - 7%	10 - 11%

Synergies

Year 1 \$ 65MM (\$ 10MM Revenue + \$ 55MM Cost)

Year 5 \$ 230MM (\$ 80MM Revenue + \$ 150MM Cost)

Pro Forma PepsiCo	7%+	11%+
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Pro Forma PepsiCo: Below-the-line Assumptions

Net Interest Expense

Estimated Tax Rate

Pro Forma 2000 (e): \$215MM
Est. 2002 (e): \$50MM
2005 (e): \$200MM

PepsiCo 32%
Quaker 34%
Pro Forma (e): 32.4%

Opportunity to reduce
tax rate by 1-2 points for
combined entity in the
next 2 years.
Not included in the model

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Pro Forma PepsiCo : Capex

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Capex % of Sales	2000 (e)	2005*
-----	-----	-----
PepsiCo standalone	5.5%	
Quaker Standalone	5.7%	

Pro Forma PepsiCo	5.5%	4.5%
	===	===

Additional Opportunities -- Not modeled

- o Capex avoidance/reduction through supply chain rationalization.
- o Better capital equipment procurement through increased scale.
- o On-going capex benefit from transaction integration.

*All numbers are approximate

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Long-Term Financial Algorithm

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	Revenue Growth 2000-2005	EBIT Growth 2000-2005	EPS Growth 2000-2005	ROIC 2000
	-----	-----	-----	-----
PepsiCo Standalone	6 - 7%	10 - 11%	12 - 13%	22%
Quaker Standalone	5 - 6%	8 - 9%	10 - 12%	41%
Pro Forma PepsiCo(a)	7%+	11%+	13 - 14%	24%

+600 - 700 bps

by Yr. 5

(a) Pro forma PepsiCo/Quaker with synergies

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Leading Global Food and Beverage Company

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Global Food & Beverage Companies
Food & Beverage Sales (\$MM)

Nestle	\$46,577
Kraft/Nabisco	\$37,281
Unilever/Bestfoods	\$34,848
ConAgra	\$27,973
PepsiCo/Quaker Oats	\$25,172
Coca-Cola	\$20,829
PepsiCo	\$20,115
Danone	\$11,346
General Mills/Pillsbury	\$10,064
Kellogg/Keebler	\$ 9,825
HJ Heinz	\$ 9,538
Sara Lee	\$ 8,783
Campbell Soup	\$ 6,294
Quaker Oats	\$ 5,057

Global Food & Beverage Companies
Food & Beverage Sales (\$MM)

Kraft/Nabisco	\$ 5,336
Nestle	\$ 5,334
Coca-Cola	\$ 5,239
Unilever/Bestfoods	\$ 4,111
PepsiCo/Quaker Oats	\$ 4,091
PepsiCo	\$ 3,312
ConAgra	\$ 1,969
HJ Heinz	\$ 1,810
Kellogg/Keebler	\$ 1,434
General Mills/Pillsbury	\$ 1,388
Campbell Soup	\$ 1,268
Danone	\$ 1,224
Sara Lee	\$ 877
Quaker Oats	\$ 779

Source: 2000 estimates

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Management Team at Closing

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Steven Reinemund
Chairman and
Chief Executive Officer

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Roger Enrico
Vice Chairman

Robert Morrison
Vice Chairman

Indra Nooyi
President and
Chief Financial Officer

Chairman, CEO and
President Quaker Oats

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