

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 26, 2017

PepsiCo, Inc.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction
of incorporation)

1-1183
(Commission
File Number)

13-1584302
(IRS Employer
Identification No.)

700 Anderson Hill Road
Purchase, New York 10577
(Address of principal executive offices)

Registrant's telephone number, including area code: (914) 253-2000

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

The information in this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to the liabilities of that Section and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise expressly stated in such filing.

Attached as Exhibit 99.1 and incorporated by reference into this Item 2.02 is a copy of the press release issued by PepsiCo, Inc. (“PepsiCo”), dated April 26, 2017, reporting PepsiCo’s financial results for the 12 weeks ended March 25, 2017.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by PepsiCo, Inc., dated April 26, 2017.

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Press Release issued by PepsiCo, Inc., dated April 26, 2017.



PepsiCo Reports First Quarter 2017 Results; Reaffirms 2017 Financial Targets

Reported (GAAP) First Quarter 2017 Results

	First Quarter
Net revenue growth	1.6%
Foreign exchange impact on net revenue	(1)%
EPS	\$0.91
EPS growth	43%
Foreign exchange impact on EPS	(2)%

Organic/Core (non-GAAP)¹ First Quarter 2017 Results

	First Quarter
Organic revenue growth	2.1%
Core EPS	\$0.94
Core constant currency EPS growth	7%

PURCHASE, N.Y. - April 26, 2017 - PepsiCo, Inc. (NYSE: PEP) today reported results for the first quarter 2017.

“We achieved solid revenue growth in the first quarter underpinned by global volume growth and positive net price realization, despite challenging food and beverage industry trading conditions in North America and continued volatility in a number of developing and emerging markets,” said Chairman and CEO Indra Nooyi. “Our first quarter results were in line with our expectations, and we are on track to achieve our financial objectives for 2017.”

¹ Please refer to the Glossary for the definitions of non-GAAP financial measures including “Organic,” “Core,” “Constant Currency,” “Free Cash Flow (excluding certain items)” and “Division Operating Profit.” Please refer to “2017 Guidance and Outlook” for additional information regarding PepsiCo’s full-year 2017 growth objectives and targets. PepsiCo provides guidance on a non-GAAP basis as the Company cannot predict certain elements which are included in reported GAAP results, including the impact of foreign exchange and commodity mark-to-market adjustments.

Summary First Quarter 2017 Performance

Revenue

	GAAP Reported % Change	Percentage Point Impact		Organic % Change
		Foreign Exchange Translation	Acquisitions, Divestitures and Structural Changes	
FLNA	2	—	—	2
QFNA	(3)	—	—	(3.5)
NAB	2	—	(1)	1
Latin America	3	2	1	6
ESSA	6	(2)	—	4
AMENA	(9)	11	—	2
Total	2	1	—	2

Volume

Organic Volume % Growth	
Food/Snacks	Beverages
(1.5)	
(1)	
	(1)
1	(3)
3.5	(1)
7	3
1	—

Operating Profit and EPS

	GAAP Reported % Change	Percentage Point Impact		Core Constant Currency % Change
		Items Affecting Comparability	Foreign Exchange Translation	
FLNA	4	—	—	4
QFNA	(1)	—	—	(1)
NAB	4	(1)	—	3
Latin America	(24)	13	11	—
ESSA	51	(29)	3.5	26
AMENA	n/m	n/m	3	(25)
Corporate Unallocated	(40)	40	—	1
Total	19	(19)	1	1
EPS	43	(38)	2	7

Note: Rows may not sum due to rounding.

n/m= Not meaningful due to the impact of a 2016 impairment charge to reduce the value of our 5% indirect equity interest in Tingyi-Asahi Beverages Holding Co. Ltd. to its estimated fair value (charge related to the transaction with Tingyi).

Division operating profit (a non-GAAP measure that excludes corporate unallocated costs) increased by 21 percent in the quarter and was positively impacted by items affecting comparability (21 points) and negatively impacted by foreign exchange translation (1 point). Core constant currency division operating profit (a non-GAAP measure) increased by 1 percent.

Organic revenue, core constant currency and division operating profit results are non-GAAP financial measures. Please refer to the reconciliation of GAAP and non-GAAP information in the attached exhibits and to the Glossary for definitions of "Organic," "Core," "Constant Currency" and "Division Operating Profit."

Summary of First Quarter Financial Performance:

- Reported first quarter and year-ago results were impacted by:
 - Restructuring charges in conjunction with the multi-year productivity plan we publicly announced in 2014; and
 - Commodity mark-to-market impacts.
- Reported year-ago results were impacted by a charge related to the transaction with Tingyi.
- See A-6 to A-8 for further details on the above items.
- Reported net revenue increased 1.6 percent. Foreign exchange translation had a 1-percentage-point unfavorable impact on reported net revenue. Organic revenue, which excludes the impacts of foreign exchange translation and structural changes, grew 2.1 percent.
- Reported and core gross margin contracted 45 basis points. Reported operating margin expanded 240 basis points and core operating margin contracted 30 basis points. Reported operating margin expansion reflects the impact of the year-ago charge related to the transaction with Tingyi.
- Reported operating profit increased 19 percent and core constant currency operating profit increased 1 percent. The impact of the charge related to the transaction with Tingyi in the prior year had a 23-percentage-point favorable impact on reported operating profit growth. Commodity mark-to-market adjustments reduced reported operating profit growth by 4 percentage points. Foreign exchange translation reduced reported operating profit growth by 1 percentage point.
- The reported effective tax rate was 22.7 percent in the first quarter of 2017 and 31.9 percent in the first quarter of 2016. The first quarter 2016 tax rate was impacted by the charge related to the transaction with Tingyi, which had no corresponding tax benefit. The core effective tax rate was 22.5 percent and 24.7 percent in the first quarter of 2017 and 2016, respectively. The first quarter 2017 reported and core tax rate reflects the positive impact of a change in the accounting for certain aspects of share-based payments to employees.
- Reported EPS was \$0.91, a 43 percent increase from the prior year period, primarily reflecting the impact of the year-ago charge related to the transaction with Tingyi. Foreign exchange translation reduced reported EPS growth by 2 percentage points.

- Core EPS was \$0.94, an increase of 5.5 percent. Excluding the impact of foreign exchange translation, core constant currency EPS increased 7 percent (see schedule A-10 for a reconciliation to reported EPS, the comparable GAAP measure).
- Net cash used in operating activities was \$199 million.

Discussion of First Quarter Division Results:

In addition to the reported net revenue performance as set out in the tables on pages 2 and A-9, reported operating results were driven by the following:

Frito-Lay North America (FLNA)

Positively impacted by productivity gains, partially offset by operating cost inflation.

Quaker Foods North America (QFNA)

Negatively impacted by higher advertising and marketing expenses, partially offset by productivity gains and lower raw material costs.

North America Beverages (NAB)

Positively impacted by productivity gains, lower raw material costs and favorable settlements of promotional spending accruals. These impacts were partially offset by operating cost inflation.

Latin America

Negatively impacted by operating cost inflation, higher advertising and marketing expenses, and higher raw material costs. In addition, restructuring charges and unfavorable foreign exchange negatively impacted operating profit performance by 13 percentage points and 11 percentage points, respectively. These impacts were partially offset by productivity gains.

Europe Sub-Saharan Africa (ESSA)

Positively impacted by productivity gains. Additionally, the impacts of higher prior-year restructuring charges and a prior-year impairment charge associated with certain production assets in Russia contributed 29 percentage points and 13 percentage points to operating profit growth, respectively. These impacts were partially offset by higher raw material costs, operating cost inflation and higher advertising and marketing expenses. Unfavorable foreign exchange reduced operating profit growth by 3.5 percentage points.

Asia, Middle East and North Africa (AMENA)

Positively impacted by a year-ago charge related to the transaction with Tingyi and productivity gains. These impacts were partially offset by higher raw material costs (in local currency terms, driven by a strong U.S. dollar) and operating cost inflation. Unfavorable foreign exchange reduced operating profit growth by 3 percentage points.

2017 Guidance and Outlook

The Company provides guidance on a non-GAAP basis as the Company cannot predict certain elements which are included in reported GAAP results, including the impact of foreign exchange and commodity mark-to-market adjustments.

Consistent with its previous guidance for 2017, the Company expects organic revenue growth of at least 3 percent. Based on current market consensus rates, foreign exchange translation is now expected to negatively impact reported net revenue growth by approximately 2 percentage points and the 53rd week in 2016 is expected to negatively impact reported net revenue growth by 1 percentage point.

Consistent with its previous guidance for 2017, the Company expects core earnings per share of \$5.09, driven by the following expectations and factors:

2016 core earnings per share	\$4.85
Expected core constant currency EPS growth	8%
Negative impact of foreign currency translation ²	(3)%
Expected 2017 core earnings per share	\$5.09

Further, the Company continues to expect:

- Approximately \$10 billion in cash flow from operating activities and approximately \$7 billion in free cash flow (excluding certain items);
- Net capital spending of approximately \$3 billion;
- Dividend payments of approximately \$4.5 billion; and
- Share repurchases of approximately \$2 billion.

² Based on current foreign exchange market consensus rates.

Conference Call:

At 7:45 a.m. (Eastern Time) today, the Company will host a conference call with investors and financial analysts to discuss first quarter 2017 results and the outlook for 2017. Further details will be accessible on the Company's website at www.pepsico.com/investors.

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PepsiCo, Inc. and Subsidiaries
Condensed Consolidated Statement of Income
(in millions except per share amounts, unaudited)

	12 Weeks Ended		
	3/25/2017	3/19/2016	Change
Net Revenue	\$ 12,049	\$ 11,862	2 %
Cost of sales	5,286	5,151	3 %
Gross profit	6,763	6,711	1 %
Selling, general and administrative expenses	4,817	5,078	(5)%
Amortization of intangible assets	13	14	(11)%
Operating Profit	1,933	1,619	19 %
Interest expense	(252)	(246)	2.5 %
Interest income and other	40	14	180 %
Income before income taxes	1,721	1,387	24 %
Provision for income taxes	392	442	(12)%
Net income	1,329	945	41 %
Less: Net income attributable to noncontrolling interests	11	14	(14)%
Net Income Attributable to PepsiCo	<u>\$ 1,318</u>	<u>\$ 931</u>	41 %
Diluted			
Net Income Attributable to PepsiCo per Common Share	\$ 0.91	\$ 0.64	43 %
Weighted-average common shares outstanding	1,440	1,459	
Cash dividends declared per common share	\$ 0.7525	\$ 0.7025	

PepsiCo, Inc. and Subsidiaries
Supplemental Financial Information
(in millions and unaudited)

	12 Weeks Ended		
	3/25/2017	3/19/2016	Change
Net Revenue			
Frito-Lay North America	\$ 3,499	\$ 3,418	2 %
Quaker Foods North America	598	617	(3)%
North America Beverages	4,460	4,361	2 %
Latin America	1,077	1,042	3 %
Europe Sub-Saharan Africa	1,445	1,359	6 %
Asia, Middle East and North Africa	970	1,065	(9)%
Total Net Revenue	\$ 12,049	\$ 11,862	2 %
Operating Profit/(Loss)			
Frito-Lay North America	\$ 1,060	\$ 1,018	4 %
Quaker Foods North America	164	166	(1)%
North America Beverages	505	485	4 %
Latin America	132	175	(24)%
Europe Sub-Saharan Africa	102	67	51 %
Asia, Middle East and North Africa	171	(148)	n/m
Corporate Unallocated	(201)	(144)	
Total Operating Profit	\$ 1,933	\$ 1,619	19 %

n/m – Not meaningful

PepsiCo, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(in millions, unaudited)

	12 Weeks Ended	
	3/25/2017	3/19/2016
Operating Activities		
Net income	\$ 1,329	\$ 945
Depreciation and amortization	477	481
Share-based compensation expense	72	69
Restructuring and impairment charges	27	30
Cash payments for restructuring charges	(7)	(30)
Charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)	—	373
Pension and retiree medical plan expenses	44	60
Pension and retiree medical plan contributions	(79)	(93)
Deferred income taxes and other tax charges and credits	129	19
Change in assets and liabilities:		
Accounts and notes receivable	(128)	(349)
Inventories	(513)	(530)
Prepaid expenses and other current assets	(299)	(255)
Accounts payable and other current liabilities	(1,386)	(661)
Income taxes payable	172	318
Other, net	(37)	(72)
Net Cash (Used for)/Provided by Operating Activities	(199)	305
Investing Activities		
Capital spending	(317)	(389)
Sales of property, plant and equipment	12	25
Acquisitions and investments in noncontrolled affiliates	(36)	—
Divestitures	41	55
Short-term investments, by original maturity:		
More than three months - purchases	(3,436)	(2,556)
More than three months - maturities	3,866	1,446
More than three months - sales	138	—
Three months or less, net	—	7
Other investing, net	1	—
Net Cash Provided by/(Used for) Investing Activities	269	(1,412)
Financing Activities		
Proceeds from issuances of long-term debt	—	2,532
Payments of long-term debt	(752)	(1,251)
Short-term borrowings, by original maturity:		
More than three months - proceeds	28	—
More than three months - payments	—	(9)
Three months or less, net	2,396	480
Cash dividends paid	(1,098)	(1,038)
Share repurchases - common	(444)	(619)
Share repurchases - preferred	(1)	(2)
Proceeds from exercises of stock options	245	165
Withholding tax payments on RSUs, PSUs and PEPunits converted	(116)	(99)
Other financing	(1)	(2)
Net Cash Provided by Financing Activities	257	157
Effect of exchange rate changes on cash and cash equivalents	43	(22)
Net Increase/(Decrease) in Cash and Cash Equivalents	370	(972)
Cash and Cash Equivalents, Beginning of Year	9,158	9,096
Cash and Cash Equivalents, End of Period	\$ 9,528	\$ 8,124

PepsiCo, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet
(in millions except per share amounts)

	3/25/2017 (unaudited)	12/31/2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,528	\$ 9,158
Short-term investments	6,461	6,967
Accounts and notes receivable, net	6,848	6,694
Inventories:		
Raw materials and packaging	1,429	1,315
Work-in-process	220	150
Finished goods	1,633	1,258
	3,282	2,723
Prepaid expenses and other current assets	1,031	908
Total Current Assets	27,150	26,450
Property, Plant and Equipment, net	16,649	16,591
Amortizable Intangible Assets, net	1,259	1,237
Goodwill	14,584	14,430
Other nonamortizable intangible assets	12,338	12,196
Nonamortizable Intangible Assets	26,922	26,626
Investments in Noncontrolled Affiliates	2,003	1,950
Other Assets	639	636
Total Assets	\$ 74,622	\$ 73,490
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	\$ 8,577	\$ 6,892
Accounts payable and other current liabilities	13,067	14,243
Total Current Liabilities	21,644	21,135
Long-Term Debt Obligations	30,081	30,053
Other Liabilities	6,693	6,669
Deferred Income Taxes	4,521	4,434
Total Liabilities	62,939	62,291
Commitments and contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(194)	(192)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 ² / ₃ ¢ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,430 and 1,428 shares, respectively)	24	24
Capital in excess of par value	3,857	4,091
Retained earnings	52,756	52,518
Accumulated other comprehensive loss	(13,416)	(13,919)
Repurchased common stock, in excess of par value (436 and 438 shares, respectively)	(31,499)	(31,468)
Total PepsiCo Common Shareholders' Equity	11,722	11,246
Noncontrolling interests	114	104
Total Equity	11,683	11,199
Total Liabilities and Equity	\$ 74,622	\$ 73,490

PepsiCo, Inc. and Subsidiaries
Supplemental Share-Based Compensation Data
(in millions except dollar amounts, unaudited)

	12 Weeks Ended	
	3/25/2017	3/19/2016
Beginning Net Shares Outstanding	1,428	1,448
Options Exercised, Restricted Stock Units (RSUs), Performance Stock Units (PSUs) and PepsiCo Equity Performance Units (PEPunits) Converted	6	5
Shares Repurchased	(4)	(7)
Ending Net Shares Outstanding	1,430	1,446
Weighted Average Basic	1,428	1,446
Dilutive Securities:		
Options	7	7
RSUs, PSUs, PEPunits and Other	4	5
ESOP Convertible Preferred Stock	1	1
Weighted Average Diluted	1,440	1,459
Average Share Price for the Period	\$ 106.86	\$ 98.57
Growth versus Prior Year	8%	2%
Options Outstanding	22	30
Options in the Money	21	27
Dilutive Shares from Options	7	7
Dilutive Shares From Options as a % of Options in the Money	34%	27%
Average Exercise Price of Options in the Money	\$ 70.32	\$ 65.65
RSUs, PSUs, PEPunits and Other Outstanding	8	10
Dilutive Shares from RSUs, PSUs, PEPunits and Other	4	5
Weighted-Average Grant-Date Fair Value of RSUs and PSUs Outstanding	\$ 101.86	\$ 91.37
Weighted-Average Grant-Date Fair Value of PEPunits Outstanding	\$ 68.94	\$ 59.98

Non-GAAP Measures

In discussing financial results and guidance, the Company refers to the following measures which are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP): division operating profit, core results, core constant currency results, free cash flow, free cash flow excluding certain items, and organic results. 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); gains or losses associated with mergers, acquisitions, divestitures and other structural changes; charges related to restructuring programs; asset impairments (non-cash); amounts related to the resolution of tax positions; pension and retiree medical related items; debt redemptions; 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.

Glossary

We use the following definitions when referring to our non-GAAP financial measures, which may not be the same as or comparable to similar measures presented by other companies:

Acquisitions and divestitures: All mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

Beverage volume: Volume shipped to retailers and independent distributors from both PepsiCo and our bottlers.

Constant currency: Financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates.

Core: Core results are non-GAAP financial measures which exclude certain items from our historical results. For the periods presented, core results exclude the following items:

Commodity mark-to-market net impact: Change in market value for commodity contracts that we purchase to mitigate the volatility in costs of energy and raw materials that we consume. The market value is determined based on average prices on national exchanges and recently reported transactions in the marketplace.

In the 12 weeks ended March 25, 2017, we recognized \$14 million of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 12 weeks ended March 19, 2016, we recognized \$46 million of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the year ended December 31, 2016, we recognized \$167 million of mark-to-market net gains on commodity hedges 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 12 weeks ended March 25, 2017, we incurred restructuring charges of \$27 million in conjunction with the multi-year productivity plan we publicly announced in 2014 (2014 Productivity Plan). In the 12 weeks ended March 19, 2016, we incurred

restructuring charges of \$30 million in conjunction with our 2014 Productivity Plan. In the year ended December 31, 2016, we incurred restructuring charges of \$160 million in conjunction with our 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.

Charge related to the transaction with Tingyi

In the 12 weeks ended March 19, 2016 and the 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.

Charge related to debt redemption

In the 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

In the year ended December 31, 2016, we recorded a pre-tax pension settlement charge of \$242 million related to the purchase of a group annuity contract.

Division operating profit: The aggregation of the operating profit for each of our reportable segments, which excludes the impact of corporate unallocated expenses.

Effective net pricing: Reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.

Free cash flow: Net cash provided by operating activities less capital spending, plus sales of property, plant and equipment. 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.

Free cash flow is used by us primarily for financing activities, including debt repayments, dividends and share repurchases. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt service that are not deducted from the measure.

Free cash flow excluding certain items: Free cash flow, excluding payments related to restructuring charges, discretionary pension and retiree medical contributions and the related net cash tax benefits. As 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. See below for a reconciliation of this non-GAAP financial measure to the most directly comparable financial measure in accordance with U.S. GAAP (operating cash flow).

Net capital spending: Capital spending less cash proceeds from sales of property, plant and equipment.

Organic: A measure that adjusts for impacts of foreign exchange translation as well as the impact from acquisitions, divestitures and other structural changes, for the comparable period. This measure also excludes the impact of the 53rd reporting week in 2016. We believe organic revenue provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

Raw material costs: Raw materials include the principal ingredients we use in our beverage, food and snack products, our key packaging materials and energy costs.

2017 guidance

Our 2017 core constant currency EPS growth guidance excludes the commodity mark-to-market net impact included in corporate unallocated expenses and restructuring and impairment charges. Our 2017 core constant currency EPS growth guidance also excludes the impact of foreign exchange translation. Our 2017 organic revenue growth guidance excludes the impact of acquisitions, divestitures and other structural changes, foreign exchange translation and the impact of a 53rd reporting week in 2016. We are not able to reconcile our full year projected 2017 core constant currency EPS growth to our full year projected 2017 reported EPS

growth because we are unable to predict the 2017 impact of foreign exchange or the mark-to-market net impact on commodity hedges due to the unpredictability of future changes in foreign exchange rates and commodity prices. We are also unable to reconcile our full year projected 2017 organic revenue growth to our full year projected 2017 reported net revenue growth because we are unable to predict the 2017 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. Therefore, we are unable to provide a reconciliation of these measures.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information
Organic Revenue Growth Rates
12 Weeks Ended March 25, 2017
(unaudited)

	Percent Impact				GAAP Measure	Non-GAAP Measure
	Volume	Effective net pricing	Acquisitions, divestitures and other structural changes	Foreign exchange translation	Reported % Change	Organic % Change ^(a)
Net Revenue Year over Year % Change					12 Weeks Ended 3/25/2017	12 Weeks Ended 3/25/2017
Frito-Lay North America	(1)	3	—	—	2	2
Quaker Foods North America	(1)	(2)	—	—	(3)	(3.5)
North America Beverages	—	1.5	1	—	2	1
Latin America	0.5	6	(1)	(2)	3	6
Europe Sub-Saharan Africa	—	3.5	—	2	6	4
Asia, Middle East and North Africa	2	—	—	(11)	(9)	2
Total PepsiCo	—	2	—	(1)	2	2

(a) Organic percent change is a financial measure that is not in accordance with GAAP and is calculated by excluding the impact of foreign exchange translation, acquisitions, divestitures and other structural changes from reported growth.

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

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Year over Year Growth Rates
12 Weeks Ended March 25, 2017
(unaudited)

	GAAP Measure				Non-GAAP Measure		Non-GAAP Measure
	Reported % Change	Percent Impact of Items Affecting Comparability			Core ^(a) % Change	Percent Impact of	Core Constant Currency ^(a) % Change
		12 Weeks Ended 3/25/2017	Commodity mark-to-market net impact	Restructuring and impairment charges ^(b)			
Operating Profit Year over Year % Change							
Frito-Lay North America	4	—	—	—	5	—	4
Quaker Foods North America	(1)	—	—	—	(1)	—	(1)
North America Beverages	4	—	(1)	—	3	—	3
Latin America	(24)	—	13	—	(11)	11	—
Europe Sub-Saharan Africa	51	—	(29)	—	23	3.5	26
Asia, Middle East and North Africa	n/m	—	5	n/m	(28)	3	(25)
Corporate Unallocated	(40)	41	(1)	—	1	—	1
Total Operating Profit	19	4	—	(23)	—	1	1
Net Income Attributable to PepsiCo	41				4	2	6
Net Income Attributable to PepsiCo per common share - diluted	43				5.5	2	7

(a) Core results and core constant currency results are financial measures that are not in accordance with GAAP and exclude the above items affecting comparability. See A-6 through A-8 for a discussion of each of these adjustments.

(b) Restructuring and impairment charges include costs associated with the 2014 Multi-Year Productivity Plan. See A-6 through A-8 for a discussion of this plan.

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

n/m – Not meaningful due to the impact of a 2016 impairment charge to reduce the value of our 5% indirect equity interest in TAB to its estimated fair value.

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Certain Line Items
12 Weeks Ended March 25, 2017 and March 19, 2016
(in millions except per share amounts, unaudited)

12 Weeks Ended 3/25/2017

	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Provision for income taxes ^(a)	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share - diluted	Effective tax rate ^(b)
Reported, GAAP Measure	\$ 5,286	\$ 6,763	\$ 4,817	\$ 1,933	\$ 392	\$ 1,318	\$ 0.91	22.7 %
Items Affecting Comparability								
Commodity mark-to-market net impact	19	(19)	(33)	14	5	9	0.01	0.1
Restructuring and impairment charges ^(c)	—	—	(27)	27	—	27	0.02	(0.3)
Core, Non-GAAP Measure ^(d)	\$ 5,305	\$ 6,744	\$ 4,757	\$ 1,974	\$ 397	\$ 1,354	\$ 0.94	22.5 %

12 Weeks Ended 3/19/2016

	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Provision for income taxes ^(a)	Net income attributable to PepsiCo	Net income attributable to PepsiCo per common share - diluted	Effective tax rate ^(b)
Reported, GAAP Measure	\$ 5,151	\$ 6,711	\$ 5,078	\$ 1,619	\$ 442	\$ 931	\$ 0.64	31.9 %
Items Affecting Comparability								
Commodity mark-to-market net impact	18	(18)	28	(46)	(17)	(29)	(0.02)	(0.4)
Restructuring and impairment charges ^(c)	—	—	(30)	30	5	25	0.02	(0.2)
Charge related to the transaction with Tingyi	—	—	(373)	373	—	373	0.26	(6.6)
Core, Non-GAAP Measure ^(d)	\$ 5,169	\$ 6,693	\$ 4,703	\$ 1,976	\$ 430	\$ 1,300	\$ 0.89	24.7 %

(a) Provision for income taxes is the expected tax benefit/charge on the underlying item based on the tax laws and income tax rates applicable to the underlying item in its corresponding tax jurisdiction.

(b) The impact of items affecting comparability on our effective tax rate represents the difference in the effective tax rate resulting from a higher or lower tax rate applicable to the items affecting comparability.

(c) Restructuring and impairment charges include costs associated with the 2014 Multi-Year Productivity Plan. See A-6 through A-8 for a discussion of this plan.

(d) Core results are financial measures that are not in accordance with GAAP and exclude the above items affecting comparability. See A-6 through A-8 for a discussion of each of these adjustments.

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

PepsiCo, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Information (cont.)
Operating Profit/(Loss) by Division
12 Weeks Ended March 25, 2017 and March 19, 2016
(in millions, unaudited)

	GAAP Measure		Items Affecting Comparability		Non-GAAP Measure
	Reported				Core ^(a)
	12 Weeks Ended 3/25/2017	Commodity mark-to-market net impact	Restructuring and impairment charges ^(b)	12 Weeks Ended 3/25/2017	
Operating Profit					
Frito-Lay North America	\$ 1,060	\$ —	\$ 1	\$ 1,061	
Quaker Foods North America	164	—	—	164	
North America Beverages	505	—	2	507	
Latin America	132	—	24	156	
Europe Sub-Saharan Africa	102	—	4	106	
Asia, Middle East and North Africa	171	—	(6)	165	
Division Operating Profit	2,134	—	25	2,159	
Corporate Unallocated	(201)	14	2	(185)	
Total Operating Profit	\$ 1,933	\$ 14	\$ 27	\$ 1,974	

	GAAP Measure		Items Affecting Comparability		Non-GAAP Measure
	Reported				Core ^(a)
	12 Weeks Ended 3/19/2016	Commodity mark-to-market net impact	Restructuring and impairment charges ^(b)	Charge related to the transaction with Tingyi	12 Weeks Ended 3/19/2016
Operating Profit/(Loss)					
Frito-Lay North America	\$ 1,018	\$ —	\$ (4)	\$ —	\$ 1,014
Quaker Foods North America	166	—	—	—	166
North America Beverages	485	—	7	—	492
Latin America	175	—	—	—	175
Europe Sub-Saharan Africa	67	—	19	—	86
Asia, Middle East and North Africa	(148)	—	5	373	230
Division Operating Profit	1,763	—	27	373	2,163
Corporate Unallocated	(144)	(46)	3	—	(187)
Total Operating Profit	\$ 1,619	\$ (46)	\$ 30	\$ 373	\$ 1,976

(a) Core results are financial measures that are not in accordance with GAAP and exclude the above items affecting comparability. See A-6 through A-8 for a discussion of each of these adjustments.

(b) Restructuring and impairment charges include costs associated with the 2014 Multi-Year Productivity Plan. See A-6 through A-8 for a discussion of this plan.

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

Division Operating Profit Growth Reconciliation

	12 Weeks Ended 3/25/2017
Reported Operating Profit Growth	19 %
Impact of Corporate Unallocated	2
Division Operating Profit Growth	21
Restructuring and Impairment Charges	—
Charge Related to the Transaction with Tingyi	(21)
Core Division Operating Profit Growth	—
Foreign Exchange Translation	1
Core Constant Currency Division Operating Profit Growth	1 %

Gross Margin Growth Reconciliation

	12 Weeks Ended 3/25/2017
Reported Gross Margin Growth	(45) bps
Commodity Mark-to-Market Net Impact	—
Core Gross Margin Growth	(45) bps

Operating Margin Growth Reconciliation

	12 Weeks Ended 3/25/2017
Reported Operating Margin Growth	239 bps
Commodity Mark-to-Market Net Impact	50
Restructuring and Impairment Charges	(3)
Charge Related to the Transaction with Tingyi	(314)
Core Operating Margin Growth	(28) bps

Fiscal 2016 Diluted EPS Reconciliation

	Year Ended 12/31/2016
Reported Diluted EPS	\$ 4.36
Commodity Mark-to-Market Net Impact	(0.08)
Restructuring and Impairment Charges	0.09
Charge Related to the Transaction with Tingyi	0.26
Charge Related to Debt Redemption	0.11
Pension-Related Settlement Charge	0.11
Core Diluted EPS	\$ 4.85

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

Net Cash Provided by Operating Activities Reconciliation (in millions)

	12 Weeks Ended 3/25/2017
Net Cash Used for Operating Activities	\$ (199)
Capital Spending	(317)
Sales of Property, Plant and Equipment	12
Free Cash Flow	(504)
Payments Related to Restructuring Charges	7
Free Cash Flow Excluding Above Item	\$ (497)

Net Cash Provided by Operating Activities Reconciliation (in billions)

	2017 Guidance
Net Cash Provided by Operating Activities	\$ ~ 10
Net Capital Spending	~ 3
Free Cash Flow	~ 7
Discretionary Pension Contributions	~ —
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.

Cautionary Statement

Statements in this communication that are “forward-looking statements,” including our 2017 guidance, are based on currently available information, operating plans and projections about future events and trends. Terminology such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “position,” “potential,” “project,” “seek,” “should,” “strategy,” “target,” “will” or similar statements or variations of such terms are intended to identify forward-looking statements, although not all forward-looking statements contain such terms. Forward-looking statements 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 or otherwise; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo’s products; imposition of labeling or warning requirements on PepsiCo’s products; changes in laws related to packaging and disposal of PepsiCo’s products; PepsiCo’s ability to compete effectively; political conditions, civil unrest or other developments and risks in the markets where PepsiCo’s products are made, manufactured, distributed or sold; PepsiCo’s ability to grow its business in developing and emerging markets; unfavorable economic conditions in the countries in which PepsiCo operates; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; business disruptions; product contamination or tampering or issues or concerns with respect to product quality, safety and integrity; damage to PepsiCo’s reputation or brand image; failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo’s existing operations or to complete or manage divestitures or refranchisings; changes in estimates and underlying assumptions regarding future performance that could result in an impairment charge; increase in income tax rates, changes in income tax laws or disagreements with tax authorities; failure to realize anticipated benefits from PepsiCo’s productivity initiatives or global operating model; PepsiCo’s ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of any key customer or changes to the retail landscape; any downgrade or potential downgrade of PepsiCo’s credit ratings; PepsiCo’s ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates; climate change or water scarcity, or legal, regulatory or market measures to address climate change or water scarcity; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; infringement of intellectual property rights; potential liabilities and costs from litigation or legal proceedings; and other factors that may adversely affect the price of PepsiCo’s publicly traded securities and financial performance.

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 Securities and Exchange Commission, 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.