



PEPSICO



Tropicana.



PepsiCo Health & Wellness

Capturing Growth at the Intersection

Brock Leach

Future Smarts Conference

December 13, 2004



Safe Harbor Statement



This material contains certain “forward-looking” statements. These statements are based on management’s current expectations and are naturally subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein and listeners are cautioned not to place undue reliance on any forward-looking comments. For a review of risk factors, please refer to our statements filed at the Securities and Exchange Commission. PepsiCo undertakes no obligation to update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

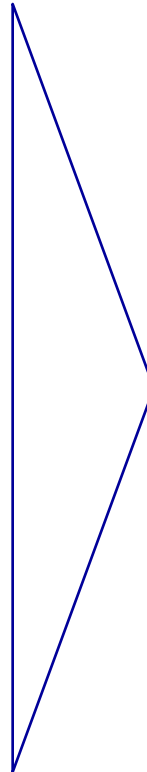
Please refer to the “investors” section of PepsiCo’s web site at pepsico.com to find disclosure and a reconciliation of non-GAAP financial measures used by management when discussing PepsiCo’s financial results with investors and analysts, under the heading “press releases”.

Wellness will be the Next Big Consumer Driver



Major Trends

- 1. Big Demographic Shifts**
 - Both older and younger
 - Increasing ethnicity
 - Income level bifurcation
- 2. Increasing Time Pressure**
 - Dual income families
 - Increasing work time
- 3. Increasing Health Concerns**
 - Emerging obesity epidemic
 - Increasing age-related
 - Behavioral shift to prevention



Major New Growth Opportunities

- Life-stage Tailored Products
- More Taste / Experience Variety

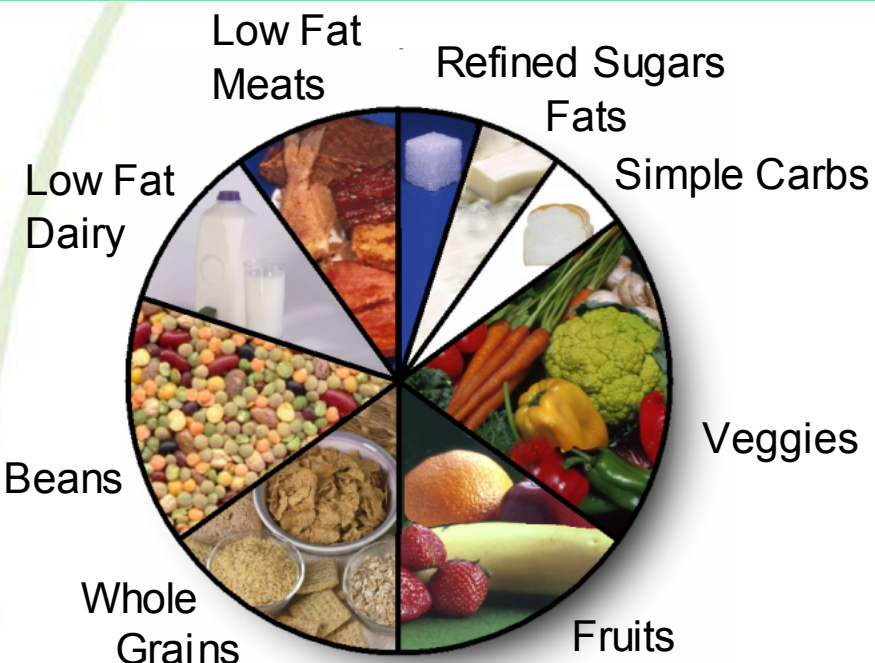


- Improved Convenience
- Re-Defined Meals: “Snack Meals”



- Growing Demand for Wellness
 - Better-For-You choices
 - Good-For-You nutrition

Big Idea in Wellness: Energy Balance



Percentages of Calories In

Calories In



Percentages of Calories Out

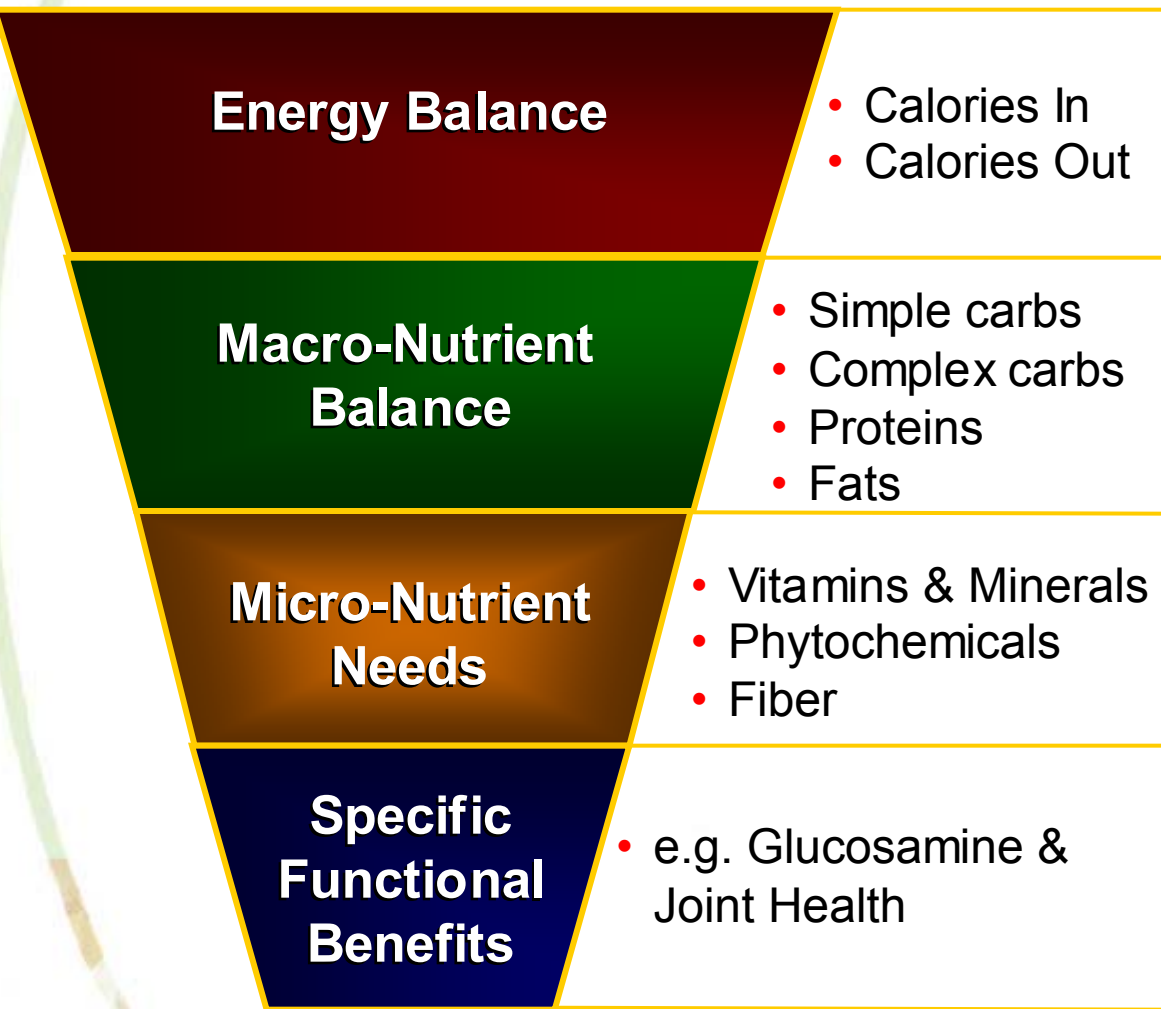
Calories Out

The Energy Balance

The Big Idea In Nutrition: Making it Easier and More Enjoyable



Consumer Knowledge Needs



Biggest Consumer Opportunities

- Easier ways to manage energy balance
- Easier ways to replace simple carbs with complex carbs, low fat proteins and healthier fats.
- Easier ways to get micro-nutrients through a mix of whole foods & appropriate fortification

The Big Idea in Lifestyle Change: Individual Motivation



Proposed Solutions

Creating an
Appropriate
Environment



Motivating
Individual
Action

**Restricting,
Taxing
Food**

**Implementing
Better
Marketing
Practices**

**Providing
Healthy
Product
Choices**

**Promoting
Healthy
Lifestyle
Habits**

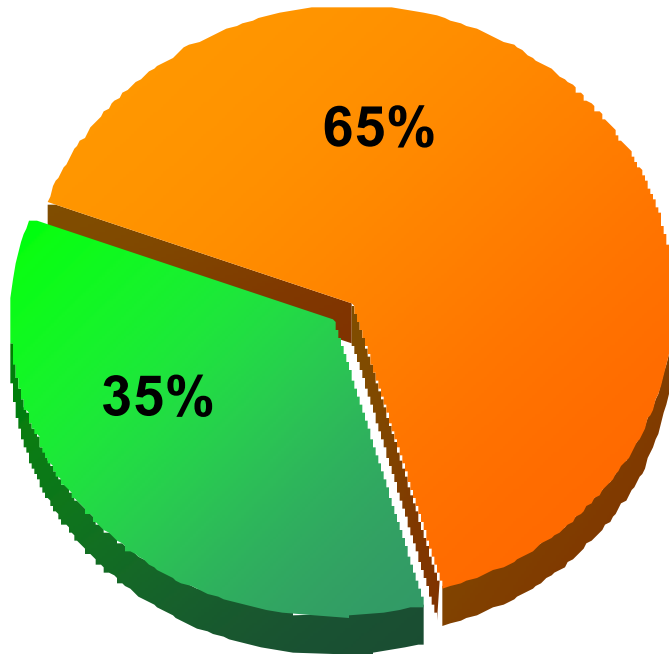


Wellness is Driving Our North American Growth



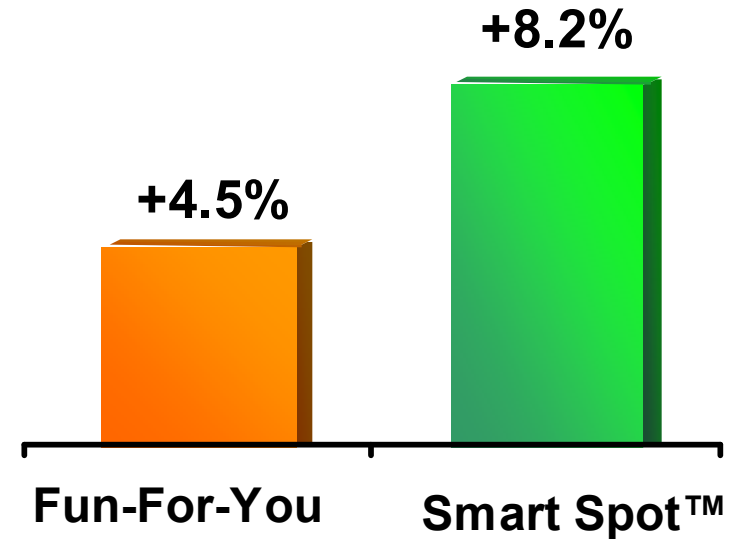
2004 YTD Revenue — PepsiCo North America “Smart Choices” Standards

Fun-For-You



Smart Spot™:
Better-for-You and
Good-for You

2004 YTD Q3 Net Sales Growth vs. YAG



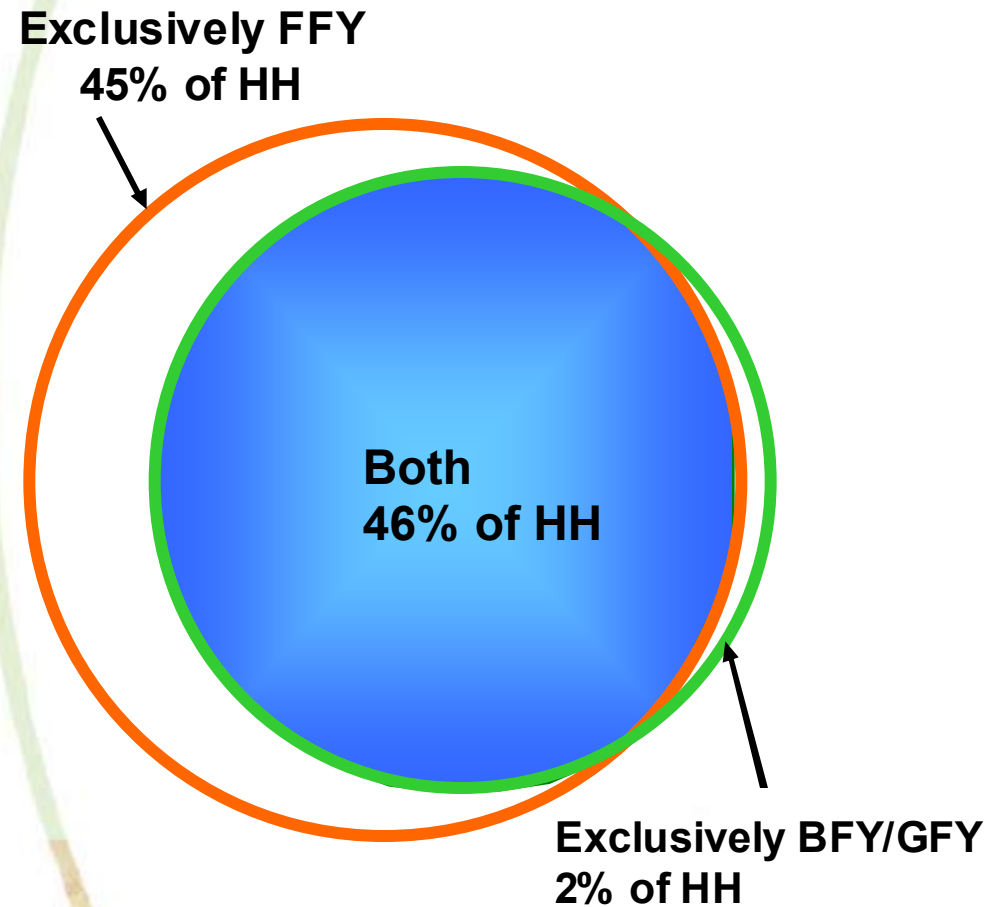
**50% of
Revenue Growth**

Most Households Use the Whole Spectrum of Products

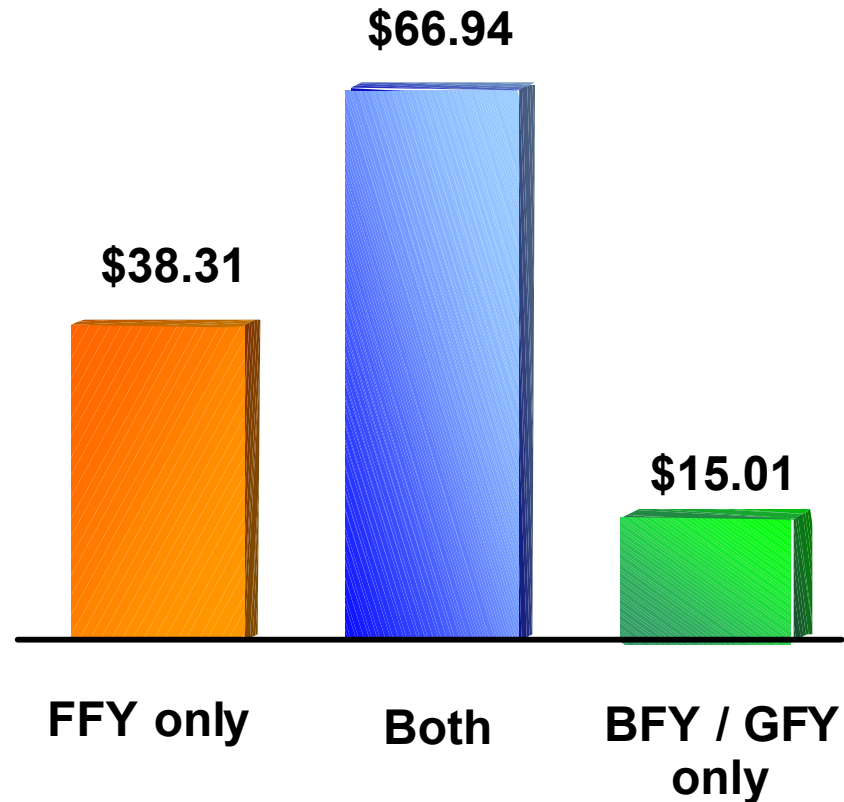


Household Purchase Dynamics

Frito-Lay Household Annual Spending



Dollars per Year



We're Starting From A Very Strong Position

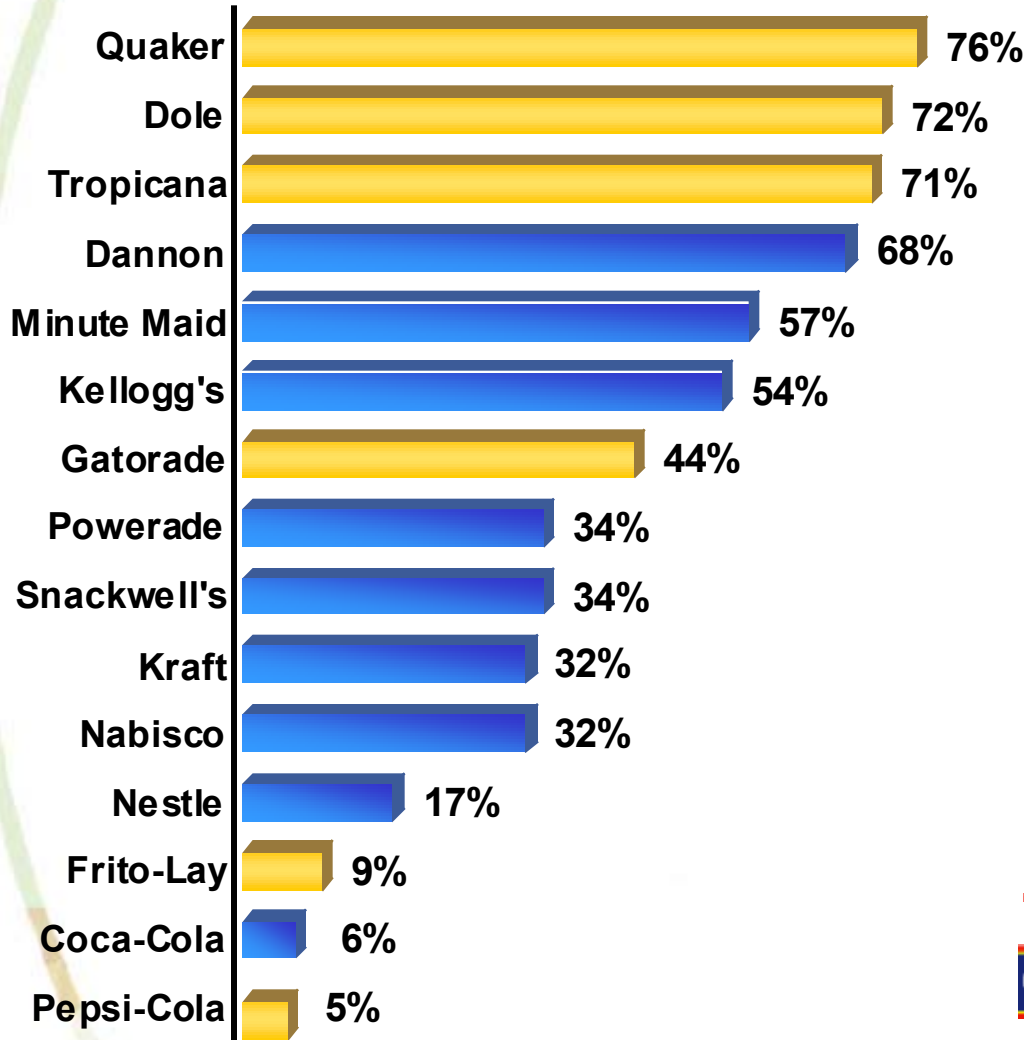


Most Respected Brands in Health



The Leading Brands in all Healthy Segments

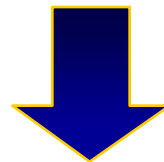
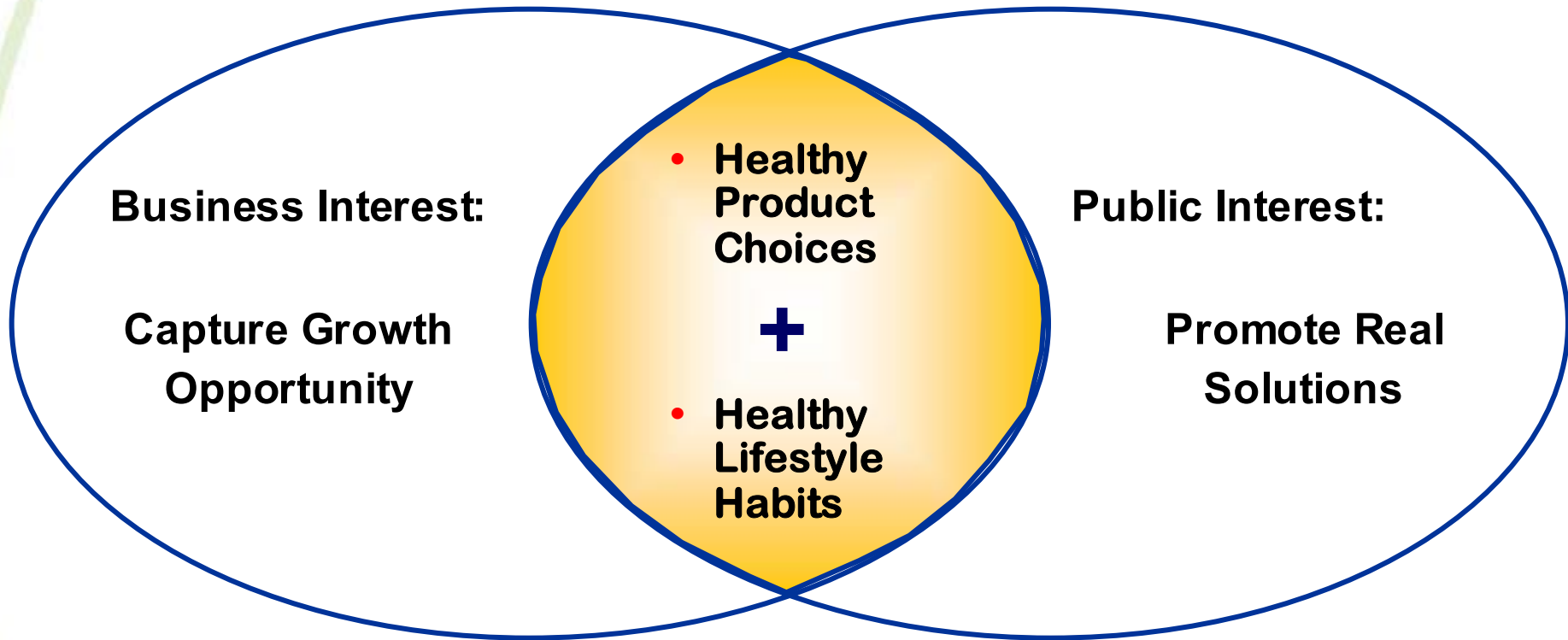
% Consumers Consider Brand Very or Extremely Healthy



PepsiCo Strategy: Real Action



Focus Our Efforts at the Intersection of Business Interest and Public Interest . . .



Making it Easier and More Enjoyable for Mainstream Consumers

U.S. Health & Wellness Progress Report



Choices

1

Accelerate BFY / GFY Product Development

- 50%+ of 3-Year New Product Revenues
- Major New Product Launches in Every Division
- New Platform Teams Operational
 - Value-added Proteins
 - Fruits and Vegetables
 - Whole Grains

2

Improve Healthfulness of Existing Products

- Eliminated Trans Fats at Frito-Lay
- Establishing “smart choices” Standards
- Successful New Portion-Controlled Offerings
 - 12/24 Sacks
 - 8 oz. cans/12 oz. bottles
- Total Calorie Labeling on Single Serve

3

Deliver Healthy Food & Bev Solutions to Schools

- Introducing New BFY / GFY Choices
 - 30+ new SKUs
 - New school-specific products
- Promoting Them in Schools
 - Bevs: 17,000 Aquafina & Gatorade vending
 - Foods: BFY / GFY bids +36%
- New Schools Marketing Policies

Habits

4

Promote Healthy Kids Lifestyles

- Promoting Youth Sport
- Supporting Behavioral R&D
- Motivating Lifestyle Change: America On The Move™
 - Curriculum for 2.5 Million Kids
- Supporting School Decision-Makers: “Health Is Power™”

2004 New Product Highlights

Reducing Fat



Reducing Sugar

Bevs:



Adding Positives



Foods:



Tropicana Fruit Integrity — Nothing but Fruit



PEPSICO



Tropicana



Latest Estimates of Fruit Servings

Strips	=	1 serving
Bars	=	3 servings
Nibblers	=	3 servings
Squeezers	=	1 serving
Drinkable Fruit	=	2 servings



Enlisting the Best Support



Forming Enabling Partnerships . . .

Dr. Kenneth Cooper



Dr. Jim Hill



Dr. Dean Ornish



Gatorade
Partnership

YMCA



American School Food
Service Assoc.



. . . And Broadening Our View

Blue Ribbon Advisory Board on Health & Wellness

Gro Brundtland, M.D.

W. Casscells, III, M.D.

Ken Cooper, M.D., M.P.H.

Antonia Demas, Ph.D.

Amb. Thomas Foley

Kenneth Gladish, Ph.D.

George Graham, Ph.D.

David Heber, M.D., Ph.D.

James Hill, Ph.D.

Gov. James B. Hunt, Jr.

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Professor of Cardiology, University of Texas

Founder, The Cooper Aerobics Center

Director, Food Studies Institute

Partner, Akin Gump

National Executive Director, YMCA of the U.S.

Professor of Kinesiology, PA Univ.

Professor of Medicine & Public Health, UCLA

Professor of Pediatrics & Medicine, Univ. of C

Former Governor of North Carolina

Dean, School of Medicine, U.C. - San Francisco

Co-Founder & Senior Partner, Luminari

Former president, World Heart Federation

Founder, Preventive Medicine Research Institute

Assistant Professor of Medicine, Univ. of MD

Pediatric Psychiatrist, Harlem Columbia Hospital

Dean, School of Public Health, Univ. of N. Texas

Consumer Communication: Smart Spot™



FROM **PEPSICO**



Our Consumer Learning Has Been Clear and Consistent



Keep it . . .

Simple:

- The green dot symbol.
- “Smart choices made easy” language.

Optimistic:

- Encouraging, “positive choices” message.

Real:

- Mandatory product benefit linkage on-package:
e.g. “Tropicana Light & Healthy is a smart choice because it has half the sugar of regular orange juice.”
- Line-breadth: One of over 100 smart choices from PepsiCo.

Transparent:

- Referral to SmartSpot.com for:
 - more nutrition information
 - healthy lifestyle programs I can use
 - more information about PepsiCo and the SmartSpot™ Program.

We'll Advertise It In the Context of Our Brands



It's the delicious way to help lower cholesterol.

It's a family tradition that warms you all over.



SMARTSPOT.COM



It's the **smart spot.**

The symbol of smart choices made easy.

Find it on Quaker® Oatmeal.

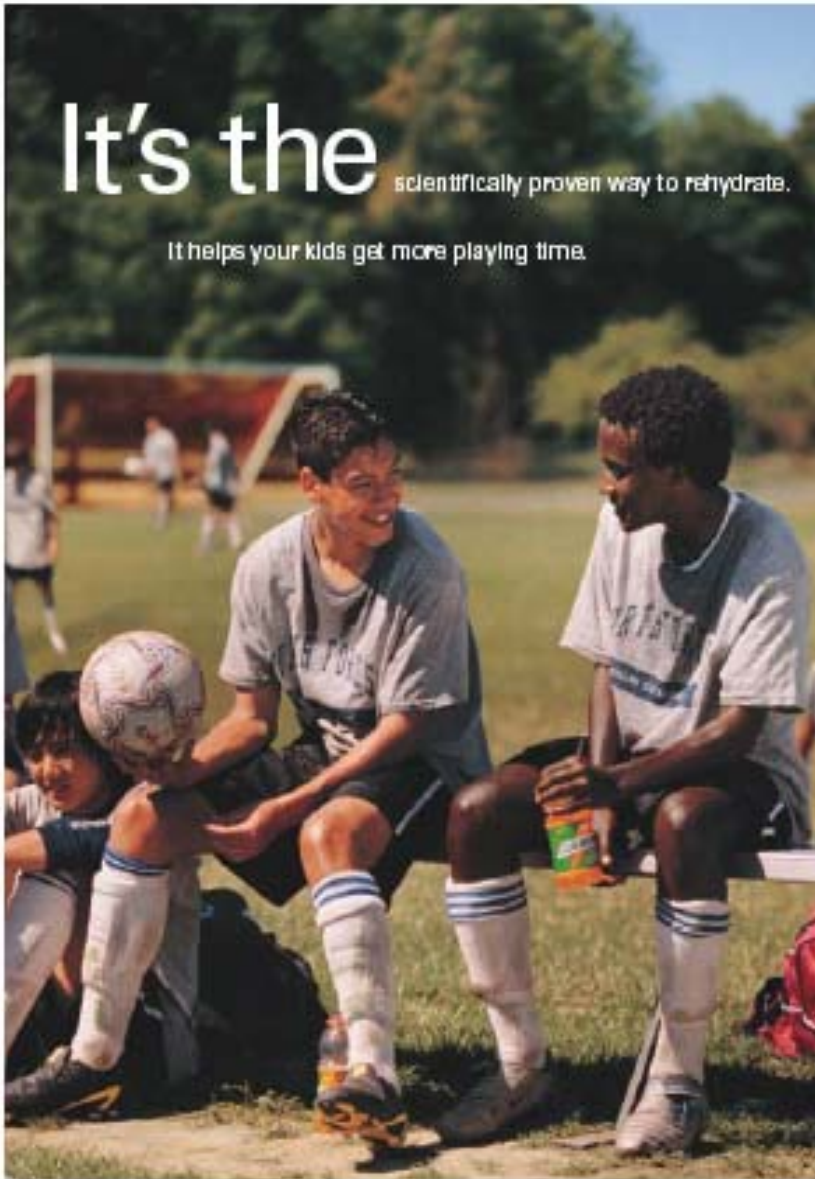
Proven to help lower cholesterol after just 30 days as part of a healthy diet.

One of over 100 smart choices from **PEPSICO**



It's the scientifically proven way to rehydrate.

It helps your kids get more playing time.



SMART CHOICES

It's the **smart spot.**

The symbol of smart choices made easy.

Find it on Gatorade®

Optimally formulated to rehydrate, replenish and refuel athletes in ways water can't.

One of over 100 smart choices from **PEPSICO**

Baked Lay's Example



PEPSICO



Tropicana



It's the simple way to eat less fat.

It's like having one more friend with really good taste.



SMARTSPOT.COM

It's the **smart spot.**

The symbol of smart choices made easy.

Find it on Baked! Lay's. 0 grams trans fats and, unlike other chips,
0 cholesterol and only 1.5 grams of fat per serving.

One of over 100 smart choices from **PEPSICO**

Tropicana Light 'n Healthy Example



PEPSICO



Tropicana



It's the nutritious way to cut back on sugar.

It's a healthy little squeeze to start the day.



SMARTSPOT.COM



It's the smart spot.

The symbol of smart choices made easy.

Find it on Tropicana® Light 'n Healthy. 1/2 the sugar and calories of orange juice.

One of over 100 smart choices from **PEPSICO**



Tropicana



Diet Pepsi Example



It's the refreshing way to cut out calories and carbs.

It's a big swig of the good life.



SMARTSPOT.COM

It's the **smart spot.**

The symbol of smart choices made easy.

Find it on Diet Pepsi. The perfect soft drink if you're looking for 0 sugar, 0 calories and 0 carbs.

One of over 100 smart choices from **PEPSICO**

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Smart Spot™ will make it Easier at Retail. . . National Fast Start Event








... And Unify Our Products & Programs in Schools



Smart Spot™ Impact on Purchase Intent



					
	Gatorade Users	Baked Lay's Users	Diet Pepsi Users	Oatmeal Users	OJ Users
	(450)	(280)	(512)	(450)	(450)
	%	%	%	%	%
Much more likely	24	23	28	30	27
A little more likely	26	35	22	29	32
	50	58	50	59	59
Neither more nor less likely	48	41	50	40	38
A little less likely	1	1	0	1	1
Much less likely	1	1	0	0	1
	2	2	0	1	2

We Will Limit Smart Spot™ to Demonstrable GFY/BFY Benefits



Demonstrable Nutrition Benefits

Good-For-You

- Quaker Oats
- Tropicana PP
- Gatorade
- Aquafina

Better-For-You

- Baked Lays
- Diet Pepsi
- Pepsi Edge

Diet-Specific Offerings

Low-Carb

Health Perception Benefits

Natural & Organic

Indulgent Products with Health Improvements

Trans Fats

A Credible Consumer Identity Requires Demonstrable Nutrition Benefits.

- Consumers want a short-cut to better nutrition they can trust
- GFY / BFY are scientifically supportable
- Build lasting consumer identity that transcends diet fads
- Focus ourselves on providing real benefits

Nutrition Standards Are Based Upon Authoritative Statements from FDA and NAS



Smart Spot™ Criteria

	FDA Criteria	NAS Dietary Recommendations	Beverages	Foods	Snacks
Fat	≤ 3g	20- 35% of kcal	3 g	30% of kcal	35% of kcal
Saturated Fat	≤ 1g	low	≤1 g	≤1 g	≤ 7% of kcal
Trans Fat	No Std	low	0	0	0
Cholesterol	60 mg		60 mg	60 mg	60 mg
Sodium	480 mg		480 mg	480 mg	270 mg
Vitamin A, C, Fe, Fiber or protein	10%		10%	10%	Not applicable
Add sugar	No std	≤25% of kcal	≤ 25% of kcal or 10% fiber	≤ 25% of kcal or 10% fiber	≤ 25% of kcal or 10% fiber

OR

A Functional Benefit having Significant Scientific Agreement

OR

Reduced: Calories, Sugar, Fat, Sodium	≤ 25%	Not defined	≤ 25%	≤ 25%	≤ 25%
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Consumer Advertising Started 10/1



September	October	November	December	January	February
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Influencer Print

National Dailies 

Consumer

Print - Weeklies  

Print - Monthlies 

Online 

Trade Print 

Spreads

NOV Issues

Spreads

Spreads

FEB Issues

Spreads

On-Line

The New York Times

THE WALL STREET JOURNAL

TIME

USA TODAY



Reader's Digest

Moms: 88% Reach
9.2 Frequency
75% 3+



Good Housekeeping



FamilyCircle



Woman's Day



Smart Spot™ Media Partnership with Discovery Communications



- Health Eating PSA's in "Roadblocks" across all six channels
 - Healthy Snacking Reminders at 3:00PM
 - Prime time Healthy Breakfast reminders with Sharon Mann of FitTV.
- Sponsorships of the National Body Challenge– on Discovery Health and at Discovery Stores
- Sponsorship of FitTV's "Fit Family Week"– March 21-26, '05
- Delivery of Balance First curriculum to all middle schools through Discovery Schools
- Quaker Sponsorship of Animal Planet's Family Showcase



The Smart Spot™ Unifies Our Health & Wellness Efforts



Consumers

- Shortcut to “smart choices made easy.”
- SmartSpot.com provides portal to:
 - Nutrition information
 - Lifestyle programming like America On The Move™



www.SmartSpot.com

Health Professionals

- American Dietetic Association
- American Academy of Family Physicians
- American Academy of Pediatrics

Customers

- Accelerated Growth Opportunity
- Fresh Merchandising Ideas
- Link to Lifestyle Programming

Employees

- Health Roads™ Program
 - Healthy Lifestyle Incentives.
 - Wellness Website Powered by WebMD.



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