

Reconciliation of GAAP and Non-GAAP Information **(\$ in millions and unaudited)**

In 2006, we recognized non-cash tax benefits of \$602 million (2006 Tax Adjustments), substantially all of which related to the Internal Revenue Service's (IRS) 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 these tax benefits in bottling equity income in 2006. In addition, in 2006, we recorded restructuring and impairment charges in conjunction with consolidating the manufacturing network at Frito-Lay by closing two plants in the U.S., and rationalizing other assets, to increase manufacturing productivity and supply chain efficiencies. In 2006, we also adopted Statement of Financial Accounting Standards No. 158 (SFAS 158), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which reduced total net assets by \$1.6 billion at December 30, 2006.

In 2005, we recognized a tax charge related to our intention to repatriate \$7.5 billion of international earnings under the provisions of the American Jobs Creation Act (AJCA). In addition, we recorded restructuring charges in 2005 to reduce costs in our operations, principally through headcount reductions. In 2005, we had an extra week of results as our fiscal year ends on the last Saturday of each December, resulting in an extra week of results every five or six years.

In 2002, we adopted SFAS 142, *Goodwill and Other Intangible Assets*, which eliminated amortization of goodwill and perpetual brands, and resulted in the acceleration of the amortization of certain of our other intangibles.

In 2001, we incurred costs associated with our merger with Quaker. In addition, we incurred restructuring and impairment charges for Quaker's supply chain reconfiguration and manufacturing and distribution optimization project.

The financial measures listed below are not measures defined by generally accepted accounting principles (GAAP). 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. Specifically, investors should consider the following with respect to our quarterly and full year results:

- Our 2006 division operating profit growth and our first quarter 2007 division operating profit growth;
- Our 2006 net income without the impact of the 2006 Tax Adjustments, our share of PBG's tax settlement, and restructuring and impairment charges; our 2001 net income adjusted for the impact of the merger-related costs, SFAS 142 adoption, and restructuring and impairment charges; and our 2006 net income growth adjusted for the impact of the aforementioned items;
- Our 2006 diluted EPS without the impact of the 2006 Tax Adjustments, our share of PBG's tax settlement, and restructuring and impairment charges; our 2005 diluted EPS without the impact of the AJCA tax charge, restructuring charges and the extra week in 2005; our 2001 diluted EPS adjusted for the impact of the merger-related costs, our adoption of SFAS 142, and restructuring and impairment charges; and our 2006 diluted EPS growth adjusted for the impact of the aforementioned items; and
- Our 2006 return on invested capital (ROIC) without the impact of the 2006 Tax Adjustments, our adoption of SFAS 158, the AJCA tax charge, restructuring and impairment charges and the extra week in 2005.

Additionally, management operating cash flow is the primary measure management uses to monitor cash flow performance. It 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.)
(\$ in millions, except per share amounts, and unaudited)

Operating Profit Growth Reconciliation

| | Quarter Ended | Year Ended |
|---------------------------------------|------------------|---------------|
| | 3/24/07 | 12/30/06 |
| Total Operating Profit Growth | 13% | 9% |
| Impact of Corporate Unallocated | (4) | (2) |
| Division Operating Profit Growth..... | 9% | 7% |

Net Income Reconciliation

| | Year Ended | Year Ended | |
|--|---------------|---------------|--------|
| | 12/30/06 | 12/29/01 | Growth |
| Reported Net Income | \$5,642 | \$2,400 | 135% |
| 2006 Tax Adjustments | (602) | — | |
| PepsiCo Share of PBG Tax Settlement | (18) | — | |
| Merger-Related Costs | — | 322 | |
| SFAS 142 Adoption..... | — | 102 | |
| Restructuring and Impairment Charges | 43 | 19 | |
| Net Income Excluding Above Items | \$5,065 | \$2,843 | 78% |

Diluted EPS Reconciliation

| | Year Ended | Year Ended | |
|--|---------------|---------------|--------|
| | 12/30/06 | 12/31/05 | Growth |
| Reported Diluted EPS | \$3.34 | \$2.39 | 40% |
| 2006 Tax Adjustments | (0.36) | — | |
| PepsiCo Share of PBG Tax Settlement | (0.01) | — | |
| AJCA Tax Charge | — | 0.27 | |
| Extra Week..... | — | (0.03) | |
| Restructuring and Impairment Charges | 0.03 | 0.03 | |
| Diluted EPS Excluding Above Items | \$3.00 | \$2.66 | 13% |

Diluted EPS Reconciliation (cont.)

| | Year Ended | Year Ended | |
|--|---------------|---------------|--------|
| | 12/30/06 | 12/29/01 | Growth |
| Reported Diluted EPS | \$3.34 | \$1.33 | 151% |
| 2006 Tax Adjustments | (0.36) | — | |
| PepsiCo Share of PBG Tax Settlement | (0.01) | — | |
| Merger-Related Costs | — | 0.18 | |
| SFAS 142 Adoption..... | — | 0.06 | |
| Restructuring and Impairment Charges | 0.03 | 0.01 | |
| Diluted EPS Excluding Above Items | \$3.00 | \$1.58 | 90% |

Reconciliation of GAAP and Non-GAAP Information (cont.)
(\$ in millions and unaudited)

ROIC Reconciliation

| | Year Ended <u>12/30/06</u> |
|----------------------------------|----------------------------------|
| Reported ROIC | 30% |
| 2006 Tax Adjustments | (3) |
| SFAS 158 Adoption..... | (1) |
| AJCA Tax Charge | (1) |
| ROIC Excluding Above Items | <u>26%*</u> |

* Does not sum due to rounding. Additionally, the impact on ROIC of the 2006 and 2005 restructuring and impairment charges and the extra week in 2005 rounds to zero.

Cash Flow Reconciliation

| | Year Ended <u>12/30/06</u> |
|---|----------------------------------|
| Net Cash Provided by Operating Activities | \$ 6,084 |
| Capital Spending | (2,068) |
| Sales of Property, Plant and Equipment | 49 |
| Management Operating Cash Flow | <u>\$ 4,065</u> |