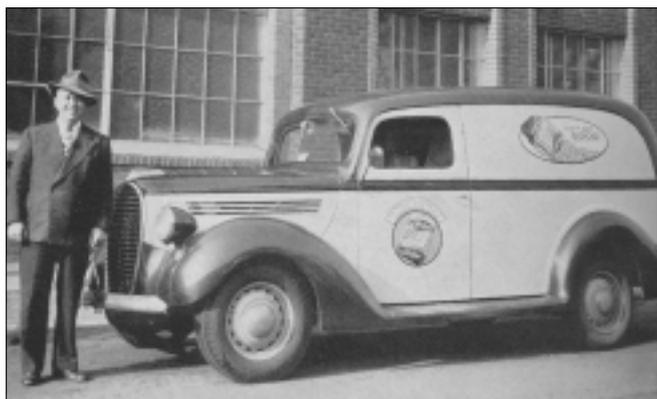




THE MARKET

The snack food and wholesale bakery industry in the United States is a \$90 billion business. Within this universe, the world of salty snacks represents \$20 billion in sales. Of the salty snack world, the corn chip category accounts for approximately 4 percent of that consumption, which translated to nearly \$700 million of retail corn chips sales in 2000. FRITOS® is far and away the largest player in the category, and the brand drives category growth. FRITOS® is the only national corn chip brand; with a 93 percent share of the market, as FRITOS® goes, so goes the category.

Corn chips provide consumers with a snacking alternative to the larger potato chip and tortilla chip categories. Frito-Lay sister products such as Lays®, Doritos®, and Tostitos® dominate the potato and tortilla chip categories.



ACHIEVEMENTS

In 1954, the brand celebrated its 25th anniversary by achieving \$28 million in sales. Since then FRITOS® has grown into a global powerhouse brand with over \$600 million in sales. FRITOS® is the fifth-largest brand in the Frito-Lay portfolio behind Lays, Doritos, Tostitos, and Ruffles®, but FRITOS® is arguably the brand with the most storied history because of its close ties to mainstream America. Year after year, FRITOS® continues to be one of the most recognizable of all consumer packaged-goods brands. When compared to other food brands, FRITOS® achieves high scores because of its product quality, differentiated nature, and reputation as a product that delivers exceptional value.

HISTORY

FRITOS® was the first brand of what is now an \$11 billion food company, Frito-Lay, Inc. At the very depths of the Great Depression in 1932, a young Texan named C. E. Doolin launched a venture that resulted in the establishment of an entirely new and typically American industry. While operating a confectionery in San Antonio, Doolin first envisioned merchandising food products from display racks rather than the huge glass jars then utilized. At the same time, he discovered a product known as a corn



chip — with similar consistency to the present FRITOS®, but with the taste of a toasted tortilla. Doolin recognized this crudely packaged snack as a product that would lend itself to merchandising from the display racks he previously envisioned. For \$100, Doolin acquired the recipe, the crude equipment for making the product, and the 19 retail accounts in the San Antonio area. Thus, the Frito Company was born.

Production soon moved from the family kitchen to production plants in Houston, Dallas, and Tulsa, and the company headquarters moved to Dallas. In 1945, the Frito Company granted to the H. W. Lay Company exclusive franchise rights to manufacture and to distribute FRITOS® Brand corn chips in the Southeast. The following

chronology of events best reflects the evolution of the brand from its humble beginning to its present-day prosperity:

- In 1949, the words “FRITOS®, Golden Chips of Corn” were printed on bags of FRITOS®.
- In 1953, the Frito Kid was introduced, and three years later, he appeared on the *Today Show* with Dave Garroway. At the same time, the Frito Company became the first Texas company to advertise on the NBC Television network. The Frito Kid represented the brand until his retirement in 1967.
- In 1958, FRITOS® adopted a new theme, “Munch a Bunch! of FRITOS® Brand Corn Chips”; a year later, Vice President Richard Nixon took a bag of FRITOS® to Nikita Krushchev as a symbol of Americana.
- The year 1961 was a landmark for the Frito Company, when they merged with the H. W. Lay Company to form Frito-Lay, Inc.
- In 1971 W. C. FRITOS®, a caricature of the popular actor W. C. Fields, was introduced as the new mascot for the brand. At this point in its evolution, the FRITOS® brand eclipsed \$200 million in sales and continued to build momentum through the 1980s.

THE PRODUCT

FRITOS® Brand Corn Chips are made with fresh, whole kernels of corn; this freshness helps create the hearty corn taste for which FRITOS® is famous. The corn arrives at the production facilities via railcar before being stored and dried to exact moisture requirements. Ultimately, the corn is cooked to soften the kernels before they are ground into a thick corn dough called “masa.”

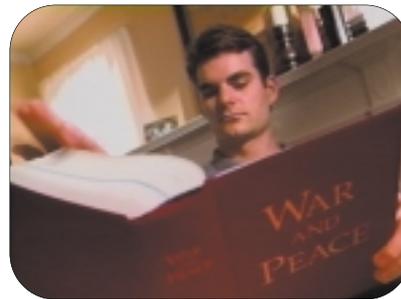
The masa is then put through an extruder that presses the dough at high pressure through narrow slits, creating ribbons of FRITOS® product. The ribbons are cut to the correct length to produce the classic FRITOS® shape. The strips of raw masa are then dropped directly into hot oil and fried at precise temperatures and duration. Once removed from the oil, the fried chips are allowed to cool before salt or one of nine other flavors is applied. The seasoned chips are quickly sealed into packages for shipment to stores nationwide.

A typical FRITOS® line produces over 1,000 pounds of FRITOS® every hour, or over 5 million pounds per year. Manufacturing plants are located throughout the country to minimize the time needed to bring the product to market. Over the course of a year, over 80 million pounds of oil and 170 million pounds of corn are used in the production of FRITOS® — enough corn to cover the turf of 1,000 football fields.

RECENT DEVELOPMENTS

The “Munch a Bunch! of FRITOS®” campaign was modified and re-introduced in 1991, and for the first time in 58 years, FRITOS® Brand Corn

Chips packaging was redesigned, with brighter colors and an updated logo. The year 1993 saw the launch of the “I Know What I Like and I Like FRITOS®” campaign, and a year later, FRITOS® Brand SCOOPS!® was introduced to the marketplace. SCOOPS! was created to meet consumer



desire for a FRITOS® corn chip that was conducive to dipping. Since then, SCOOPS! has grown to a healthy \$140 million business.

In 2000, FRITOS® adopted the tagline, “Nothing Satisfies Like FRITOS®,” to communicate the hearty, filling, and satisfying nature that defines the product’s attributes. Today, the FRITOS® Brand supports nine flavored products and three unflavored (Original, SCOOPS!, and King Size FRITOS® Brand Corn Chips). The Original FRITOS® Brand Corn Chip continues to be the volume leader and is responsible for nearly half of the brand’s overall sales.

FRITOS® continually strives to innovate in meaningful ways. The brand’s innovation comes from the desire to provide consumers with a consistent product that delivers uncompromising quality and value with each and every bag.

PROMOTION

One of the many strengths of the Frito-Lay Company and the FRITOS® Brand in particular has been the meaningful way in which advertising and merchandising have been married. The FRITOS® Brand engages consumers both in their homes and on their shopping trips through impactful advertising, promotion, and perhaps most importantly, its impressive shelf presence. Frito-Lay sells over 1.2 billion bags of FRITOS® in a typical year. This volume provides over a billion shelf impressions that serve as miniature billboards. In the complex and crowded snack food world, FRITOS® and the other Frito-Lay brands have an unequalled retail presence.

The FRITOS® Brand has utilized celebrity spokespeople throughout its history. From W. C. Fields to country singers Mark Chesnutt and Reba McEntire, the FRITOS® Brand has delivered a consistent product even though the faces have changed.

Today, the FRITOS® Brand is represented by NASCAR superstar Jeff Gordon and his #24 Racing Team. From 1998 to 2000, FRITOS® was an associate sponsor of Gordon’s Busch Series PEPSI Racing Team. In 2001, FRITOS® and its sister company, PEPSI, became associate sponsors on Jeff Gordon’s Winston Cup Racing Team. This valuable partnership allows the FRITOS® Brand to market its product to racing fans, who, as a group, are becoming an increasingly larger segment of mainstream America.

BRAND VALUES

Nothing but FRITOS® gives you the satisfaction you need when you’re hungry. The classic corn taste and the hearty crunch fill you up and hold you over. Nothing Satisfies Like FRITOS®. The essence of the brand can be captured in one statement, “FRITOS® is the simple, hearty snack I can always count on to satisfy my hunger.”

The brand identity is characterized as “classic, dependable, reliable, substantial, and satisfying.”

These unique product truths and values identify the brand. FRITOS® is truly a symbol of Americana and the American dream as illustrated by the Frito Company’s roots in the Doolin family kitchen and its evolution as the number-one snack company in the world.

THINGS YOU DIDN'T KNOW ABOUT FRITOS®

- The Frito Company’s Mexican restaurant, Casa de FRITOS®, opened in 1955 in Disneyland. The photo on the opposite page is of Frito Founder Elmer Doolin and Walt Disney with the Frito Kid.
- The first FRITOS® recipe book was printed in 1935.
- During its Silver Anniversary Year in 1957, FRITOS® sponsored the ABC Radio Network Program, *Don McNeill’s Breakfast Club*.
- The popularity of FRITOS® is evident in its widespread availability: FRITOS® can be found just about everywhere, including 98 percent of the supermarkets and convenience stores in the United States.
- Over 250 million pounds of FRITOS® were produced in 2000 — about the weight of 100,000 automobiles.
- The “Family-Size” bag of FRITOS® in 1937 cost 15 cents in the supermarket.