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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 27, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-1183

PepsiCo, Inc.
(Exact Name of Registrant as Specified in Its Charter)

North Carolina (State or Other Jurisdiction of Incorporation or Organization)	**13-1584302** (I.R.S. Employer Identification No.)
700 Anderson Hill Road, Purchase, New York (Address of Principal Executive Offices)	**10577** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of PepsiCo Common Stock held by nonaffiliates of PepsiCo (assuming for these purposes, but without conceding, that all executive officers and directors of PepsiCo are affiliates of PepsiCo) as of June 13, 2008, the last day of business of our most recently completed second fiscal quarter, was $106,221,728,237 (based on the closing sale price of PepsiCo's Common Stock on that date as reported on the New York Stock Exchange).

The number of shares of PepsiCo Common Stock outstanding as of February 12, 2009 was 1,556,291,773.

Documents of Which Portions Are Incorporated by Reference	Parts of Form 10-K into Which Portion of Documents Are Incorporated
Proxy Statement for PepsiCo's May 6, 2009 Annual Meeting of Shareholders	**III**

PepsiCo, Inc.

Form 10-K Annual Report
For the Fiscal Year Ended December 27, 2008

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PART I

Item 1. Business

PepsiCo, Inc. was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its divisions and subsidiaries.

We are a leading global beverage, snack and food company. We manufacture or use contract manufacturers, market and sell a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods in approximately 200 countries, with our largest operations in North America (United States and Canada), Mexico and the United Kingdom.

Our commitment to sustainable growth, defined as Performance with Purpose, is focused on generating healthy financial returns while giving back to the communities we serve. This includes meeting consumer needs for a spectrum of convenient foods and beverages, reducing our impact on the environment through water, energy and packaging initiatives, and supporting our employees through a diverse and inclusive culture that recruits and retains world-class talent. In September 2008, we were again included on the Dow Jones Sustainability North America Index and the Dow Jones Sustainability World Index. These indices are compiled annually.

Our Divisions

We are organized into three business units, as follows:

(1) PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF), including our Sabritas and Gamesa businesses in Mexico;

(2) PepsiCo Americas Beverages (PAB), which includes PepsiCo Beverages North America and all of our Latin American beverage businesses; and

(3) PepsiCo International (PI), which includes all PepsiCo businesses in the United Kingdom, Europe, Asia, Middle East and Africa.

Our three business units are comprised of six reportable segments (referred to as divisions), as follows:

- FLNA,
- QFNA,
- LAF,
- PAB,
- United Kingdom & Europe (UKEU), and
- Middle East, Africa & Asia (MEAA).

See Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas.

Frito-Lay North America

FLNA manufactures or uses contract manufacturers, markets, sells and distributes branded snacks. These snacks include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Fritos corn chips, Ruffles potato chips, Quaker Chewy granola bars, SunChips multigrain snacks, Rold Gold pretzels, Santitas tortilla chips, Frito-Lay nuts, Grandma's cookies, Gamesa cookies, Munchies snack mix, Funyuns onion flavored rings, Quaker Quakes corn and rice snacks, Miss Vickie's potato chips, Stacy's pita chips, Smartfood popcorn, Chester's fries and branded crackers. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group manufactures, markets, sells and distributes Sabra refrigerated dips. FLNA's net revenue was $12.5 billion, $11.6 billion and $10.8 billion in 2008, 2007 and 2006, respectively, and approximated 29% of our total net revenue in both 2008 and 2007 and 31% of our total net revenue in 2006.

Quaker Foods North America

QFNA manufactures or uses contract manufacturers, markets and sells cereals, rice, pasta and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker grits, Cap'n Crunch cereal, Life cereal, Rice-A-Roni, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers. QFNA's net revenue was $1.9 billion in both 2008 and 2007 and $1.8 billion in 2006 and approximated 4% of our total net revenue in 2008 and 5% of our total net revenue in both 2007 and 2006.

Latin America Foods

LAF manufactures, markets and sells a number of leading salty and sweet snack brands including Gamesa, Doritos, Cheetos, Ruffles, Sabritas and Lay's. Further, LAF manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. These branded products are sold to independent distributors and retailers. LAF's net revenue was $5.9 billion, $4.9 billion and $4.0 billion in 2008, 2007 and 2006, respectively and approximated 14%, 12% and 11% of our total net revenue in 2008, 2007 and 2006, respectively.

PepsiCo Americas Beverages

PAB manufactures or uses contract manufacturers, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mountain Dew, Gatorade, 7UP (outside the U.S.), Tropicana Pure Premium, Sierra Mist, Mirinda, Tropicana juice drinks, Propel, Dole, Amp Energy, SoBe Lifewater, Naked juice and Izze. PAB also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea, coffee and water products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. In addition, PAB licenses the Aquafina water brand to its bottlers and markets this brand. PAB sells concentrate and finished goods for some of these brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. The bottlers sell our brands as finished goods to independent distributors and retailers. PAB's volume reflects sales to its independent distributors and retailers, as well as the sales of beverages bearing our trademarks that bottlers have reported as sold to independent distributors and retailers. Bottler case sales (BCS) and concentrate shipments and equivalents (CSE) are not necessarily equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. While our revenues are not based on BCS volume, we believe that BCS is a valuable measure as it quantifies the sell-through of our products at the consumer level. PAB's net revenue was $10.9 billion, $11.1 billion and $10.4 billion in 2008, 2007 and 2006, respectively, and approximated 25%, 28% and 29% of our total net revenue in 2008, 2007 and 2006, respectively.

United Kingdom & Europe

UKEU manufactures, markets and sells through consolidated businesses as well as through noncontrolled affiliates, a number of leading salty and sweet snack brands including Lay's, Walkers, Doritos, Cheetos and Ruffles. Further, UKEU manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. UKEU also manufactures, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, 7UP and Tropicana. In addition, through our acquisition of JSC Lebedyansky (Lebedyansky), we acquired Russia's leading juice brands. These brands are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, UKEU operates its own bottling plants and distribution facilities. In addition, UKEU licenses the Aquafina water brand to certain of its authorized bottlers. UKEU also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

UKEU reports two measures of volume. Snack volume is reported on a system-wide basis, which includes our own sales and the sales by our noncontrolled affiliates of snacks bearing Company-owned or licensed trademarks. Beverage volume reflects Company-owned or authorized bottler sales of beverages bearing Company-owned or licensed trademarks to independent distributors and retailers (see PepsiCo Americas Beverages above). UKEU's net revenue was $6.4 billion, $5.5 billion and $4.8 billion in 2008, 2007 and 2006, respectively and approximated 15% of our total net revenue in 2008 and 14% of our total net revenue in both 2007 and 2006.

Middle East, Africa & Asia

MEAA manufactures, markets and sells through consolidated businesses as well as through noncontrolled affiliates, a number of leading salty and sweet snack brands including Lay's, Doritos, Cheetos, Smith's and Ruffles. Further, MEAA manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. MEAA also manufactures, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mirinda, 7UP and Mountain Dew. These brands are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, MEAA operates its own bottling plants and distribution facilities. In addition, MEAA licenses the Aquafina water brand to certain of its authorized bottlers. MEAA also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea products through an international joint venture with Unilever. MEAA reports two measures of volume (see United Kingdom & Europe above). MEAA's net revenue was $5.6 billion, $4.6 billion and $3.4 billion in 2008, 2007 and 2006, respectively and approximated 13%, 12% and 10% of our total net revenue in 2008, 2007 and 2006, respectively.

New Organizational Structure

Beginning in the first quarter of 2009, we realigned certain countries within PI to be consistent with changes in geographic responsibility. As a result, our businesses in Turkey and certain Central Asia markets will become part of UKEU, which was renamed the Europe division. These countries were formerly part of MEAA, which was renamed the Asia, Middle East & Africa division. The changes did not impact the other existing reportable segments. Our historical segment reporting will be restated in 2009 to reflect the new structure. The division amounts and discussions reflected in this Form 10-K reflect the management reporting that existed through 2008.

Our Distribution Network

Our products are brought to market through direct-store-delivery (DSD), customer warehouse and foodservice and vending distribution networks. The distribution system used depends on customer needs, product characteristics and local trade practices. These distribution systems are described under the heading "Our Distribution Network" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Ingredients and Other Supplies

The principal ingredients we use in our food and beverage businesses are aspartame, cocoa, corn, corn sweeteners, flavorings, flour, grapefruits and other fruits, juice and juice concentrates, oats, oranges, potatoes, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include polyethylene terephthalate (PET) resin used for plastic bottles, film packaging used for snack foods, aluminum used for cans, glass bottles and cardboard. Fuel and natural gas are also important commodities due to their use in our plants and in the trucks delivering our products. These ingredients, raw materials and commodities are purchased mainly in the open market. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages. The prices we pay for such items are subject to fluctuation. When prices increase, we may or may not pass on such increases to our customers. See Note 10 to our consolidated financial statements for additional information on how we manage our commodity costs.

Our Brands

We own numerous valuable trademarks which are essential to our worldwide businesses, including Alegro, Amp Energy, Aquafina, Aunt Jemima, Cap'n Crunch, Cheetos, Cracker Jack, Diet Pepsi, Doritos, Duyvis, Frito-Lay, Fritos, Fruktovy Sad, Frustyle, Gamesa, Gatorade, Grandma's, Izze, Lay's, Life, Matutano, Mirinda, Mountain Dew, Mtn Dew, Mug, NAKED, Near East, Pasta Roni, Pepsi, Pepsi Max, Pepsi One, Propel, Quaker, Quaker Chewy, Quakes, Rice-A-Roni, Rold Gold, Ruffles, Sabritas, Sakata, 7UP and Diet 7UP (outside the United States), Sierra Mist, Simba, Smith's, Snack a Jacks, SoBe, SoBe Lifewater, Sonric's, Stacy's, SunChips, Tonus, Tostitos, Tropicana, Tropicana Pure Premium, Tropicana Twister, TrueNorth, V Water, Walkers and Ya. We also hold long-term licenses to use valuable trademarks in connection with our products, including Lipton, Starbucks, Dole and Ocean Spray. Trademarks remain valid so long as they are used properly for identification purposes, and we emphasize correct use of our trademarks. We have authorized, through licensing arrangements, the use of many of our trademarks in such contexts as snack food joint ventures and beverage bottling appointments. In addition, we license the use of our trademarks on promotional items for the primary purpose of enhancing brand awareness.

We either own or have licenses to use a number of patents which relate to some of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. Some of these patents are licensed to others.

Seasonality

Our beverage and food divisions are subject to seasonal variations. Our beverage sales are higher during the warmer months and certain food sales are higher in the cooler months. Weekly beverage and snack sales are generally highest in the third quarter due to seasonal and holiday-related patterns, and generally lowest in the first quarter. However, taken as a whole, seasonality does not have a material impact on our business.

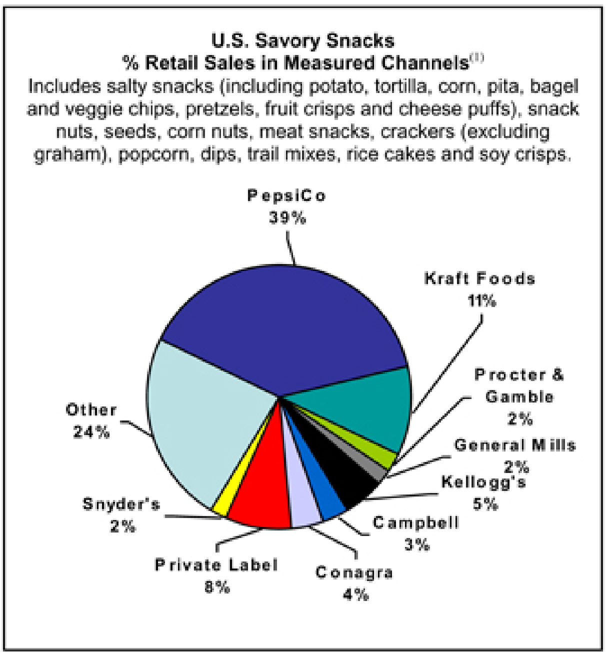
Our Customers

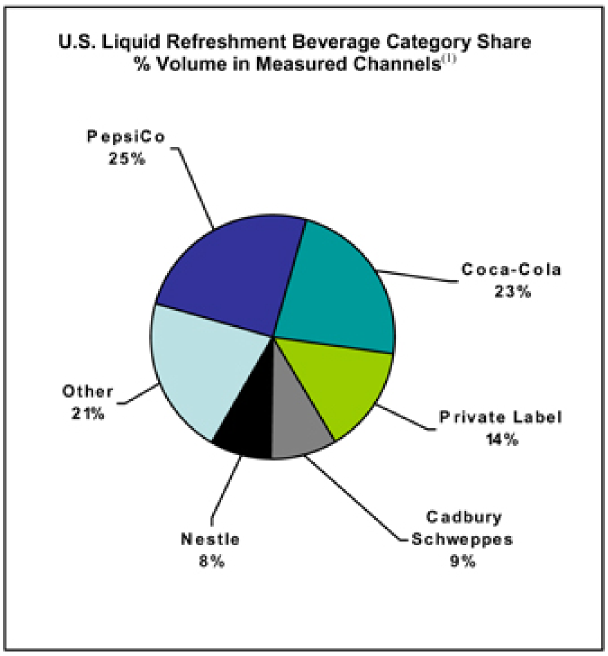
Our customers include authorized bottlers and independent distributors, including foodservice distributors and retailers. We normally grant our bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality.

Retail consolidation and the current economic environment continue to increase the importance of major customers. In 2008, sales to Wal-Mart Stores, Inc. (Wal-Mart), including Sam's Club (Sam's), represented approximately 12% of our total net revenue. Our top five retail customers represented approximately 32% of our 2008 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our bottlers which are used in finished goods sold by them to these retailers. In addition, sales to The Pepsi Bottling Group (PBG) represented approximately 8% of our total net revenue in 2008. See "Our Customers" and "Our Related Party Bottlers" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 to our consolidated financial statements for more information on our customers, including our anchor bottlers.

Our Competition

Our businesses operate in highly competitive markets. We compete against global, regional, local and private label manufacturers on the basis of price, quality, product variety and distribution. In U.S. measured channels, our chief beverage competitor, The Coca-Cola Company, has a larger share of CSD (carbonated soft drinks) consumption, while we have a larger share of liquid refreshment beverages consumption. In addition, The Coca-Cola Company has a significant CSD share advantage in many markets outside the United States. Further, our snack brands hold significant leadership positions in the snack industry worldwide. Our snack brands face local and regional competitors, as well as national and global snack competitors, and compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products and the introduction of new products. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allow us to compete effectively.





(1) The categories and category share information in the charts above are defined by the following source of the information: Information Resources, Inc. The above charts exclude data from certain customers such as Wal-Mart that do not report data to this service.

Research and Development

We engage in a variety of research and development activities. These activities principally involve the development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $388 million in 2008, $364 million in 2007 and $282 million in 2006 and are reported within selling, general and administrative expenses.

Regulatory Environment and Environmental Compliance

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets where we operate. It is our policy to abide by the laws and regulations around the world that apply to our businesses.

In the United States, we are required to comply with federal laws, such as the Food, Drug and Cosmetic Act, the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Federal Motor Carrier Safety Act, laws governing equal employment opportunity, customs and foreign trade laws and regulations, laws regulating the sales of products in schools, and various other federal statutes and regulations. We are also subject to various state and local statutes and regulations, including California Proposition 65 which requires that a specific warning appear on any product that contains a component listed by the State of California as having been found to cause cancer or birth defects. Many food and beverage producers who sell products in California, including PepsiCo, may be required to provide warning labels on their products. See also “Risk Factors – Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.”

In many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions. We rely on legal and operational compliance programs, as well as local in-house and outside counsel, to guide our businesses in complying with applicable laws and regulations of the countries in which we do business.

Legislation has been enacted in certain U.S. states and in certain of the countries in which our products are sold that requires collection and recycling of containers or that prohibits the sale of our beverages in certain non-refillable containers unless a deposit or other fee is charged. It is possible that similar or more restrictive legal requirements may be proposed or enacted in the future.

The cost of compliance with U.S. and foreign laws does not have a material financial impact on our operations.

We are subject to national and local environmental laws in the United States and in the foreign countries in which we do business, including laws relating to water consumption and treatment. We are committed to meeting all applicable environmental compliance requirements. Environmental compliance costs have not had, and are not expected to have, a material impact on our capital expenditures, earnings or competitive position.

Employees

As of December 27, 2008, we employed approximately 198,000 people worldwide, including approximately 64,000 people within the United States. Our employment levels are subject to seasonal variations. We believe that relations with our employees are generally good.

Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are also available free of charge on our internet website at http://www.pepsico.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on our website is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into this or any of our other filings with the SEC.

Item 1A. Risk Factors

Forward-Looking and Cautionary Statements

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These "forward-looking statements" are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statements. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The discussion of risks below and elsewhere in this report is by no means all inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.

Demand for our products may be adversely affected by changes in consumer preferences and tastes or if we are unable to innovate or market our products effectively.

We are a consumer products company operating in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Any significant changes in consumer preferences or any inability on our part to anticipate or react to such changes could result in reduced demand for our products and erosion of our competitive and financial position. Our success depends on our ability to respond to consumer trends, including concerns of consumers regarding obesity, product attributes and ingredients. In addition, changes in product category consumption or consumer demographics could result in reduced demand for our products. Consumer preferences may shift due to a variety of factors, including the aging of the general population, changes in social trends, changes in travel, vacation or leisure activity patterns, weather, negative publicity resulting from regulatory action or litigation against companies in our industry, a downturn in economic conditions or taxes specifically targeting the consumption of our products. Any of these changes may reduce consumers' willingness to purchase our products. See also the discussions under "The global economic crisis has resulted in unfavorable economic conditions and increased volatility in foreign exchange rates and may have an adverse impact on our business results or financial condition." and "Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation."

Our continued success is also dependent on our product innovation, including maintaining a robust pipeline of new products, and the effectiveness of our advertising campaigns and marketing programs. Although we devote significant resources to meet this goal, there can be no assurance as to our continued ability either to develop and launch successful new products or variants of existing products, or to effectively execute advertising campaigns and marketing programs. In addition, both the launch and ongoing success of new products and advertising campaigns are inherently uncertain, especially as to their appeal to consumers. Our failure to successfully launch new products could decrease demand for our existing products by negatively affecting consumer perception of existing brands, as well as result in inventory write-offs and other costs.

Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies.

We and our business partners use various raw materials and other supplies in our business, including aspartame, cocoa, corn, corn sweeteners, flavorings, flour, grapefruits and other fruits, juice and juice concentrates, oats, oranges, potatoes, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include PET resin used for plastic bottles, film packaging used for snack foods, aluminum used for cans, glass bottles and cardboard. Fuel and natural gas are also important commodities due to their use in our plants and in the trucks delivering our products. Some of these raw materials and supplies are available from a limited number of suppliers. We are exposed to the market risks arising from adverse changes in commodity prices, affecting the cost of our raw materials and energy. The raw materials and energy which we use for the production of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. We purchase these materials and energy mainly in the open market. If commodity price changes result in unexpected increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating income. See also the discussion under “The global economic crisis has resulted in unfavorable economic conditions and increased volatility in foreign exchange rates and may have an adverse impact on our business results or financial condition.”

The global economic crisis has resulted in unfavorable economic conditions and increased volatility in foreign exchange rates and may have an adverse impact on our business results or financial condition.

The global economic crisis has resulted in unfavorable economic conditions in many of the countries in which we operate. Our business or financial results may be adversely impacted by these unfavorable economic conditions, including: adverse changes in interest rates or tax rates; volatile commodity markets; contraction in the availability of credit in the marketplace potentially impairing our ability to access the capital markets on terms commercially acceptable to us, or at all; the effects of government initiatives to manage economic conditions; reduced demand for our products resulting from a slow-down in the general global economy or a shift in consumer preferences to private label products for economic reasons; or a further decrease in the fair value of pension assets that could increase future employee benefit costs and/or funding requirements of our pension plans. The global economic crisis has also resulted in increased foreign exchange rate volatility. We hold assets and incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. The financial statements of our foreign subsidiaries are translated into U.S. dollars. As a result, our profitability may be adversely impacted by an adverse change in foreign currency exchange rates. In addition, we cannot predict how current or worsening economic conditions will affect our critical customers, suppliers and distributors and any negative impact on our critical customers, suppliers or distributors may also have an adverse impact on our business results or financial condition.

If we are not able to build and sustain proper information technology infrastructure, successfully implement our ongoing business transformation initiative or outsource certain functions effectively our business could suffer.

We depend on information technology as an enabler to improve the effectiveness of our operations and to interface with our customers, as well as to maintain financial accuracy and efficiency. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach.

We have embarked on a multi-year business transformation initiative that includes the delivery of an SAP enterprise resource planning application, as well as the migration to common business processes across our operations. There can be no certainty that these programs will deliver the expected benefits. The failure to deliver our goals may impact our ability to (1) process transactions accurately and efficiently and (2) remain in step with the changing needs of the trade, which could result in the loss of customers. In addition, the failure to either deliver the application on time, or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers and revenue.

In addition, we have outsourced certain information technology support services and administrative functions, such as payroll processing and benefit plan administration, to third-party service providers and may outsource other functions in the future to achieve cost savings and efficiencies. If the service providers that we outsource these functions to do not perform effectively, we may not be able to achieve the expected cost savings and may have to incur additional costs to correct errors made by such service providers. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies or the loss of or damage to intellectual property through security breach, or harm employee morale.

Our information systems could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets.

Any damage to our reputation could have an adverse effect on our business, financial condition and results of operations.

Maintaining a good reputation globally is critical to selling our branded products. If we fail to maintain high standards for product quality, safety and integrity, our reputation could be jeopardized. Adverse publicity about these types of concerns or the incidence of product contamination or tampering, whether or not valid, may reduce demand for our products or cause production and delivery disruptions. If any of our products becomes unfit for consumption, misbranded or causes injury, we may have to engage in a product recall and/or be subject to liability. A widespread product recall or a significant product liability judgment could cause our products to be unavailable for a period of time, which could further reduce consumer demand and brand equity. Failure to maintain high ethical, social and environmental standards for all of our operations and activities or adverse publicity regarding our responses to health concerns, our environmental impacts, including agricultural materials, packaging, energy use and waste management, or other sustainability issues, could jeopardize our reputation. In addition, water is a limited resource in many parts of the world. Our reputation could be damaged if we do not act responsibly with respect to water use. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

Trade consolidation, the loss of any key customer, or failure to maintain good relationships with our bottling partners could adversely affect our financial performance.

We must maintain mutually beneficial relationships with our key customers, including our retailers and bottling partners, to effectively compete. There is a greater concentration of our customer base around the world generally due to the continued consolidation of retail trade. As retail ownership becomes more concentrated, retailers demand lower pricing and increased promotional programs. Further, as larger retailers increase utilization of their own distribution networks and private label brands, the competitive advantages we derive from our go-to-market systems and brand equity may be eroded. Failure to appropriately respond to these trends or to offer effective sales incentives and marketing programs to our customers could reduce our ability to secure adequate shelf space at our retailers and adversely affect our financial performance.

Retail consolidation and the current economic environment continue to increase the importance of major customers. Loss of any of our key customers could have an adverse effect on our business, financial condition and results of operations.

Furthermore, if we are unable to provide an appropriate mix of incentives to our bottlers through a combination of advertising and marketing support, they may take actions that, while maximizing their own short-term profit, may be detrimental to us or our brands. Such actions could have an adverse effect on our profitability. In addition, any deterioration of our relationships with our bottlers could adversely affect our business or financial performance. See "Our Customers" and "Our Related Party Bottlers" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 to our consolidated financial statements for more information on our customers, including our anchor bottlers.

If we are unable to hire or retain key employees or a highly skilled and diverse workforce, it could have a negative impact on our business.

Our continued growth requires us to hire, retain and develop our leadership bench and a highly skilled and diverse workforce. We compete to hire new employees and then must train them and develop their skills and competencies. Any unplanned turnover or our failure to develop an adequate succession plan to backfill current leadership positions or to hire and retain a diverse workforce could deplete our institutional knowledge base and erode our competitive advantage. In addition, our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs.

Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.

The conduct of our businesses, and the production, distribution, sale, advertising, labeling, safety, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to foreign laws and regulations administered by government entities and agencies in markets in which we operate. These laws and regulations may change, sometimes dramatically, as a result of political, economic or social events. Such regulatory environment changes may include changes in: food and drug laws; laws related to advertising and deceptive marketing practices; accounting standards; taxation requirements, including taxes specifically targeting the consumption of our products; competition laws; and environmental laws, including laws relating to the regulation of water rights and treatment. Changes in laws, regulations or governmental policy and the related interpretations may alter the environment in which we do business and, therefore, may impact our results or increase our costs or liabilities.

In particular, governmental entities or agencies in jurisdictions where we operate may impose new labeling, product or production requirements, or other restrictions. For example, studies are underway by various regulatory authorities and others to assess the effect on humans due to acrylamide in the diet. Acrylamide is a chemical compound naturally formed in a wide variety of foods when they are cooked (whether commercially or at home), including french fries, potato chips, cereal, bread and coffee. It is believed that acrylamide may cause cancer in laboratory animals when consumed in significant amounts. If consumer concerns about acrylamide increase as a result of these studies, other new scientific evidence, or for any other reason, whether or not valid, demand for our products could decline and we could be subject to lawsuits or new regulations that could affect sales of our products, any of which could have an adverse effect on our business, financial condition or results of operations.

We are also subject to Proposition 65 in California, a law which requires that a specific warning appear on any product sold in California that contains a substance listed by that State as having been found to cause cancer or birth defects. If we were required to add warning labels to any of our products or place warnings in certain locations where our products are sold, sales of those products could suffer not only in those locations but elsewhere.

In many jurisdictions, compliance with competition laws is of special importance to us due to our competitive position in those jurisdictions. Regulatory authorities under whose laws we operate may also have enforcement powers that can subject us to actions such as product recall, seizure of products or other sanctions, which could have an adverse effect on our sales or damage our reputation. See also “Regulatory Environment and Environmental Compliance.”

Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.

Our ability and that of our suppliers, business partners, including bottlers, contract manufacturers, independent distributors and retailers, to make, move and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to adverse weather conditions, natural disaster, fire, terrorism, the outbreak or escalation of armed hostilities, pandemic, strikes and other labor disputes or other reasons beyond our or their control, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

Unstable political conditions, civil unrest or other developments and risks in the countries where we operate may adversely impact our business.

Our operations outside of the United States contribute significantly to our revenue and profitability. Unstable political conditions, civil unrest or other developments and risks in the countries where we operate could have an adverse impact on our business results or financial condition. Factors that could adversely affect our business results in these countries include: import and export restrictions; foreign ownership restrictions; nationalization of our assets; regulations on the repatriation of funds; and currency hyperinflation or devaluation. In addition, disruption in these markets due to political instability or civil unrest could result in a decline in consumer purchasing power, thereby reducing demand for our products.

Item 1B. Unresolved Staff Comments

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2008 fiscal year and that remain unresolved.

Item 2. Properties

Our most significant corporate properties include our corporate headquarters building in Purchase, New York and our data center in Plano, Texas, both of which are owned. Leases of plants in North America generally are on a long-term basis, expiring at various times, with options to renew for additional periods. Most international plants are owned or leased on a long-term basis. We believe that our properties are in good operating condition and are suitable for the purposes for which they are being used.

Frito-Lay North America (FLNA)

FLNA's most significant properties include its headquarters building and a research facility in Plano, Texas, both of which are owned. FLNA also owns or leases approximately 40 food manufacturing and processing plants and approximately 1,750 warehouses, distribution centers and offices. In addition, FLNA also utilizes approximately 55 plants and production processing facilities that are owned or leased by our contract manufacturers or co-packers.

Quaker Foods North America (QFNA)

QFNA owns a plant in Cedar Rapids, Iowa, which is its most significant property. QFNA also owns or leases five plants and production processing facilities in North America. In addition, QFNA utilizes approximately 25 manufacturing plants, production processing facilities and distribution centers that are owned or leased by our contract manufacturers or co-packers.

Latin America Foods (LAF)

LAF's most significant properties include a food plant in Celaya, Mexico and three snacks plants in the Mexican cities of Vallejo and Veracruz and the Brazilian city of Itu, all of which are owned. LAF also owns or leases approximately 50 food manufacturing and processing plants and approximately 660 warehouses, distribution centers and offices. LAF also utilizes one plant facility that is owned by a contract manufacturer.

PepsiCo Americas Beverages (PAB)

PAB's most significant properties include the headquarters building it shares with QFNA in downtown Chicago, Illinois, which is leased, and its Tropicana facility in Bradenton, Florida, its concentrate plant in Ireland and its research and development facility in Valhalla, New York, all of which are owned. PAB also owns or leases approximately 40 plants and production processing facilities and approximately 50 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 65 bottling plants. PAB also utilizes approximately 70 plants and production processing facilities and approximately 60 warehouses and distribution centers that are owned or leased by our contract manufacturers or co-packers.

United Kingdom & Europe (UKEU)

UKEU's most significant properties are its snack manufacturing and processing plants located in Leicester, United Kingdom and Coventry, United Kingdom, each of which are owned. UKEU also owns or leases approximately 35 plants and approximately 320 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease seven plants and approximately 30 distribution centers. UKEU also utilizes approximately one plant and production processing facility and approximately two distribution centers that are owned or leased by our contract manufacturers.

Middle East, Africa & Asia (MEAA)

MEAA's most significant properties are its beverage plant located in Shenzhen, China, and its snack manufacturing and processing plant located in Tingalpa, Australia, each of which are owned. MEAA also owns or leases approximately 100 plants and approximately 1,100 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 25 plants and 120 distribution centers. MEAA also utilizes two plants and production processing facilities that are owned or leased by our contract manufacturers.

Shared Properties

QFNA shares five production facilities and five warehouses and distribution centers with FLNA, 10 warehouses and distribution centers with both FLNA and PAB, and 10 offices with PAB and FLNA, including a research and development laboratory in Barrington, Illinois. PAB, UKEU and MEAA share production facilities at two concentrate plants in Cork, Ireland. PAB and MEAA share a concentrate plant in Colonia, Uruguay.

Item 3. Legal Proceedings

We are party to a variety of legal proceedings arising in the normal course of business. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

The following is a list of names, ages and backgrounds of our current executive officers:

Peter A. Bridgman, 56, has been PepsiCo's Senior Vice President and Controller since August 2000. Mr. Bridgman began his career with PepsiCo at Pepsi-Cola International in 1985 and became Chief Financial Officer for Central Europe in 1990. He became Senior Vice President and Controller for Pepsi-Cola North America in 1992 and Senior Vice President and Controller for The Pepsi Bottling Group, Inc. in 1999.

Albert P. Carey, 57, was appointed President and Chief Executive Officer of Frito-Lay North America in June 2006. Mr. Carey began his career with Frito-Lay in 1981 where he spent 20 years in a variety of roles. He served as President, PepsiCo Sales from February 2003 until June 2006. Prior to that, he served as Chief Operating Officer, PepsiCo Beverages & Foods North America from June 2002 to February 2003 and as PepsiCo's Senior Vice President, Sales and Retailer Strategies from August 1998 to June 2002.

John C. Compton, 47, has been Chief Executive Officer of PepsiCo Americas Foods since November 2007. Mr. Compton began his career at PepsiCo in 1983 as a Frito-Lay Production Supervisor in the Pulaski, Tennessee manufacturing plant. He has spent 25 years at PepsiCo in various Sales, Marketing, Operations and General Management assignments. From March 2005 until September 2006, he was President and Chief Executive Officer of Quaker, Tropicana, Gatorade, and from September 2006 until November 2007, he was Chief Executive Officer of PepsiCo North America. Mr. Compton served as Vice Chairman and President of the North American Salty Snacks Division of Frito-Lay from March 2003 until March 2005. Prior to that, he served as Chief Marketing Officer of Frito-Lay's North American Salty Snacks Division from August 2001 until March 2003.

Massimo Fasanella d'Amore, 53, has been Chief Executive Officer of PepsiCo Americas Beverages since November 2007. Mr. d'Amore was formerly Executive Vice President, Commercial for PepsiCo International, a position he assumed in November 2005. Prior to that, he served as President, Latin America Region for PepsiCo Beverages International from February 2002 until November 2005 and as the Company's Senior Vice President of Corporate Strategy and Development from August 2000 until February 2002. Mr. d'Amore began his career with the Company in 1995 as Vice President, Marketing for Pepsi-Cola International and was promoted to Senior Vice President and Chief Marketing Officer of Pepsi-Cola International in 1998. Before joining the Company, he was with Procter & Gamble for 15 years in various international operations, marketing and general management positions.

Richard Goodman, 60, has been PepsiCo's Chief Financial Officer since October 2006. From 2003 until October 2006, Mr. Goodman was Senior Vice President and Chief Financial Officer of PepsiCo International. Prior to that, he served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages International from 2001 to 2003 and as Vice President and General Auditor of PepsiCo from 2000 to 2001. Mr. Goodman joined PepsiCo in 1992 as Vice President of Corporate Strategic Planning, International and held a number of senior financial positions with PepsiCo and its affiliates until 1997 when he left PepsiCo to pursue other opportunities. Before joining PepsiCo in 1992, Mr. Goodman was with W.R. Grace & Co. in a variety of global chief financial officer positions.

Hugh F. Johnston, 47, has been President of Pepsi-Cola North America since November 2007. He was formerly PepsiCo's Executive Vice President, Operations, a position he held from October 2006 until November 2007. From April 2005 until October 2006, Mr. Johnston was PepsiCo's Senior Vice President, Transformation. Prior to that, he served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages and Foods from November 2002 through March 2005, and as PepsiCo's Senior Vice President of Mergers and Acquisitions from March 2002 until November 2002. Mr. Johnston joined PepsiCo in 1987 as a Business Planner and held various finance positions until 1999 when he left to join Merck & Co., Inc. as Vice President, Retail, a position which he held until he rejoined PepsiCo in 2002. Prior to joining PepsiCo in 1987, Mr. Johnston was with General Electric Company in a variety of finance positions.

Indra K. Nooyi, 53, has been PepsiCo's Chief Executive Officer since October 2006 and assumed the role of Chairman of PepsiCo's Board of Directors on May 2, 2007. She was elected to PepsiCo's Board of Directors and became President and Chief Financial Officer in May 2001, after serving as Senior Vice President and Chief Financial Officer since February 2000. Ms. Nooyi also served as PepsiCo's Senior Vice President, Corporate Strategy and Development from 1996 until February 2000 and as PepsiCo's Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc.

Lionel L. Nowell III, 54, has been PepsiCo's Senior Vice President and Treasurer since August 2001. Mr. Nowell joined PepsiCo as Senior Vice President and Controller in 1999 and then became Senior Vice President and Chief Financial Officer of The Pepsi Bottling Group, Inc. Prior to joining PepsiCo, he was Senior Vice President, Strategy and Business Development for RJR Nabisco, Inc. From 1991 to 1998, he served as Chief Financial Officer of Pillsbury North America, and its Pillsbury Foodservice and Haagen Dazs units, serving as Vice President and Controller of the Pillsbury Company, Vice President of Food and International Retailing Audit, and Director of Internal Audit.

Larry D. Thompson, 63, became PepsiCo's Senior Vice President, Government Affairs, General Counsel and Secretary in November 2004. Prior to joining PepsiCo, Mr. Thompson served as a Senior Fellow with the Brookings Institution in Washington, D.C. and served as Deputy Attorney General in the U.S. Department of Justice. In 2002, he was named to lead the National Security Coordination Council and was also named by President Bush to head the Corporate Fraud Task Force. In April 2000, Mr. Thompson was selected by Congress to chair the bipartisan Judicial Review Commission on Foreign Asset Control. Prior to his government career, he was a partner in the law firm of King & Spalding, a position he held from 1986 to 2001.

Cynthia M. Trudell, 55, has been PepsiCo's Senior Vice President, Chief Personnel Officer, since February 2007. Ms. Trudell served as a director of PepsiCo from January 2000 until her appointment to her current position. She was formerly Vice President of Brunswick Corporation and President of Sea Ray Group from 2001 until 2006. From 1999 until 2001, Ms. Trudell served as General Motors' Vice President, and Chairman and President of Saturn Corporation, a wholly owned subsidiary of GM. Ms. Trudell began her career with the Ford Motor Co. as a chemical process engineer. In 1981, she joined GM and held various engineering and manufacturing supervisory positions. In 1995, she became plant manager at GM's Wilmington Assembly Center in Delaware. In 1996, she became President of IBC Vehicles in Luton, England, a joint venture between General Motors and Isuzu.

Michael D. White, 57, has been Vice Chairman of PepsiCo and a member of PepsiCo's Board of Directors since March 2006 and Chairman and Chief Executive Officer of PepsiCo International since February 2003. Prior to that, he served as President and Chief Executive Officer of Frito-Lay's Europe/Africa/Middle East division from 2000 until February 2003. From 1998 to 2000, Mr. White was Senior Vice President and Chief Financial Officer of PepsiCo. Mr. White has also served as Executive Vice President and Chief Financial Officer of PepsiCo Foods International and Chief Financial Officer of Frito-Lay North America. He joined Frito-Lay in 1990 as Vice President of Planning. Mr. White is also a director of Whirlpool Corporation.

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the Board or until their successors are elected and have qualified. There are no family relationships among our executive officers.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Trading Symbol – PEP

Stock Exchange Listings – The New York Stock Exchange is the principal market for our common stock, which is also listed on the Chicago and Swiss Stock Exchanges.

Stock Prices – The composite quarterly high, low and closing prices for PepsiCo common stock for each fiscal quarter of 2008 and 2007 are contained in our Selected Financial Data included on page 118.

Shareholders – At February 12, 2009, there were approximately 180,500 shareholders of record of our common stock.

Dividends – Dividends are usually declared in late January or early February, May, July and November and paid at the end of March, June and September and the beginning of January. The dividend record dates for these payments are, subject to approval of the Board of Directors, expected to be March 6, June 5, September 4, and December 4, 2009. We have paid consecutive quarterly cash dividends since 1965. Information with respect to the quarterly dividends declared in 2008 and 2007 is contained in our Selected Financial Data.

For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

A summary of our common stock repurchases (in millions, except average price per share) during the fourth quarter under the $8.0 billion repurchase program authorized by our Board of Directors and publicly announced on May 2, 2007, and expiring on June 30, 2010, is set forth in the table below. All such shares of common stock were purchased pursuant to open market transactions, other than 51,000 shares of common stock which were repurchased pursuant to a privately negotiated block trade transaction.

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Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
9/6/08				$ 6,810
9/7/08 – 10/4/08	4.2	$ 71.60	4.2	(299)
				6,511
10/5/08 – 11/1/08	1.7	$ 64.24	1.7	(111)
				6,400
11/2/08 – 11/29/08	0.9	$ 52.81	0.9	(45)
				6,355
11/30/08 – 12/27/08	—	—	—	—
Total	6.8	$ 67.35	6.8	$ 6,355

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PepsiCo also repurchases shares of its convertible preferred stock from an employee stock ownership plan (ESOP) fund established by Quaker in connection with share redemptions by ESOP participants. The following table summarizes our convertible preferred share repurchases during the fourth quarter.

Issuer Purchases of Convertible Preferred Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
9/6/08				
9/7/08 – 10/4/08	2,400	$ 362.16	N/A	N/A
10/5/08 – 11/1/08	3,700	$ 306.53	N/A	N/A
11/2/08 – 11/29/08	—	—	N/A	N/A
11/30/08 – 12/27/08	2,300	$ 268.82	N/A	N/A
Total	8,400	$ 312.10	N/A	N/A

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Item 6. Selected Financial Data

Selected Financial Data is included on page 118.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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Our discussion and analysis is an integral part of understanding our financial results. Definitions of key terms can be found in the glossary beginning on page 121. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

OUR BUSINESS

Executive Overview

We are a leading global beverage, snack and food company. We manufacture or use contract manufacturers, market and sell a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods in approximately 200 countries, with our largest operations in North America (United States and Canada), Mexico and the United Kingdom. Additional information concerning our divisions and geographic areas is presented in Note 1.

Our commitment to sustainable growth, defined as Performance with Purpose, is focused on generating healthy financial returns while giving back to the communities we serve. This includes meeting consumer needs for a spectrum of convenient foods and beverages, reducing our impact on the environment through water, energy and packaging initiatives, and supporting our employees through a diverse and inclusive culture that recruits and retains world-class talent. In September 2008, we were again included on the Dow Jones Sustainability North America Index and the Dow Jones Sustainability World Index. These indices are compiled annually.

Our management monitors a variety of key indicators to evaluate our business results and financial conditions. These indicators include market share, volume, net revenue, operating profit, management operating cash flow, earnings per share and return on invested capital.

Key Challenges and Strategies for Growth

To achieve our financial objectives, we consistently focus on initiatives to improve our results and increase returns for our shareholders. For 2009, we have identified the following key challenges and related competitive strategies for growth that we believe will enable us to achieve our financial objectives:

Revitalizing our North American Beverage Business

In 2008, the U.S. liquid refreshment beverage category declined on a year-over-year basis. During 2009, we intend to invest to keep our total beverage portfolio relevant to consumers of all ages. We plan to capitalize on our new “Refresh Everything” campaign, which features new brand identities for trademarks Gatorade, Pepsi, Sierra Mist and Mountain Dew, as well as key product innovations like new SoBe Lifewater, sweetened with PureVia™, an all-natural, zero-calorie sweetener recently approved by the U.S. Food and Drug Administration. In non-carbonated beverages, we will work to identify untapped thirst occasions and to deliver even more functional benefits.

Broadening our Diverse Portfolio of Global Products

Consumer tastes and preferences are constantly changing. The increasingly on-the-go lifestyles of consumers and their desire for healthier choices means that it is more important than ever for us to continue to broaden our diverse portfolio of global products. We remain committed to offering consumers a broad range of choices to satisfy their diverse lifestyles and desires. For example, in 2008, we broadened the beverage portfolio by partnering with PBG to acquire Lebedyansky, Russia’s leading juice company, by acquiring V Water in the United Kingdom and by expanding our successful Lipton Tea partnership with Unilever. We expanded into adjacent snack categories by introducing TrueNorth nut snacks and forming a joint venture that offers Sabra refrigerated dips. During 2009, through a combination of tuck-in acquisitions and innovation, we plan to continue to broaden the range of products we offer in our existing categories and expand into adjacent ones. We are also committed to securing our innovation pipeline, and have coordinated our research and development departments across the Company into one global innovation team.

Successfully Navigating the Global Economic Crisis

We and our customers, suppliers and distributors have all been impacted by the continuing global economic crisis. Global economic conditions have resulted in decreased consumer purchasing power, volatile fluctuations in the prices of key commodities such as oil, corn, sugar and oats and adverse foreign currency exchange rates. To navigate through these conditions we plan to continue to focus on fundamentals, such as ensuring that we offer products with the right price to value proposition and managing cash flow, interest expense and commodity costs. We have also implemented our Productivity for Growth program which is expected to cumulatively generate more than $1.2 billion in pre-tax savings over the next three years and that will also allow us to increase investments in long-term research and development, innovation, brand building and market-specific growth initiatives.

Expanding in International Markets

Our operations outside of the United States contribute significantly to our revenue and profitability. Because per capita consumption of our products is still relatively low in many of these markets, we believe there is a significant opportunity to grow internationally by expanding our existing businesses and through acquisitions, particularly in emerging markets. During 2008, we announced significant capital investments in Brazil, India, Mexico and China. We also strengthened our international presence through acquisitions such as Marbo, a snacks company in Serbia, by expanding our successful Lipton Tea partnership with Unilever, and by partnering with PBG to acquire Russia's largest juice company. We plan to seek opportunities to make similar investments to drive international growth in 2009 and beyond. We also plan to continue developing products that leverage our existing brands but appeal to local tastes.

Maintaining our Commitment to Sustainable Growth

Consumers and government officials are increasingly focused on the impact companies have on the environment. We are committed to maintaining high standards for product quality, safety and integrity and to reducing our impact on the environment through water, energy and packaging initiatives. We plan to continue to invest in programs that help us reduce energy costs, conserve more energy and use clean energy sources, such as our wind turbine project in India which supplies more than two-thirds of the power used by our Mamandur beverage plant each year. We are also actively working on new packaging initiatives to further reduce the amount of plastic used in our beverage containers, and we continue to partner with community organizations to increase recycling efforts.

Our Operations

We are organized into three business units, as follows:

(1) PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF), including our Sabritas and Gamesa businesses in Mexico;

(2) PepsiCo Americas Beverages (PAB), which includes PepsiCo Beverages North America and all of our Latin American beverage businesses; and

(3) PepsiCo International (PI), which includes all PepsiCo businesses in the United Kingdom, Europe, Asia, Middle East and Africa.

Our three business units are comprised of six reportable segments (referred to as divisions), as follows:

- FLNA,
- QFNA,
- LAF,
- PAB,
- United Kingdom & Europe (UKEU), and
- Middle East, Africa & Asia (MEAA).

Frito-Lay North America

FLNA manufactures or uses contract manufacturers, markets, sells and distributes branded snacks. These snacks include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Fritos corn chips, Ruffles potato chips, Quaker Chewy granola bars, SunChips multigrain snacks, Rold Gold pretzels, Santitas tortilla chips, Frito-Lay nuts, Grandma's cookies, Gamesa cookies, Munchies snack mix, Funyuns onion flavored rings, Quaker Quakes corn and rice snacks, Miss Vickie's potato chips, Stacy's pita chips, Smartfood popcorn, Chester's fries and branded crackers. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group manufactures, markets, sells and distributes Sabra refrigerated dips.

Quaker Foods North America

QFNA manufactures or uses contract manufacturers, markets and sells cereals, rice, pasta and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker grits, Cap'n Crunch cereal, Life cereal, Rice-A-Roni, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers.

Latin America Foods

LAF manufactures, markets and sells a number of leading salty and sweet snack brands including Gamesa, Doritos, Cheetos, Ruffles, Sabritas and Lay's. Further, LAF manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. These branded products are sold to independent distributors and retailers.

PepsiCo Americas Beverages

PAB manufactures or uses contract manufacturers, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mountain Dew, Gatorade, 7UP (outside the U.S.), Tropicana Pure Premium, Sierra Mist, Mirinda, Tropicana juice drinks, Propel, Dole, Amp Energy, SoBe Lifewater, Naked juice and Izze. PAB also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea, coffee and water products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. In addition, PAB licenses the Aquafina water brand to its bottlers and markets this brand. PAB sells concentrate and finished goods for some of these brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. The bottlers sell our brands as finished goods to independent distributors and retailers. PAB's volume reflects sales to its independent distributors and retailers, as well as the sales of beverages bearing our trademarks that bottlers have reported as sold to independent distributors and retailers. BCS and CSE are not necessarily equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. While our revenues are not based on BCS volume, we believe that BCS is a valuable measure as it quantifies the sell-through of our products at the consumer level.

United Kingdom & Europe

UKEU manufactures, markets and sells through consolidated businesses as well as through noncontrolled affiliates, a number of leading salty and sweet snack brands including Lay's, Walkers, Doritos, Cheetos and Ruffles. Further, UKEU manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. UKEU also manufactures, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, 7UP and Tropicana. In addition, through our acquisition of Lebedyansky, we acquired Russia's leading juice brands. These brands are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, UKEU operates its own bottling plants and distribution facilities. In addition, UKEU licenses the Aquafina water brand to certain of its authorized bottlers. UKEU also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

UKEU reports two measures of volume. Snack volume is reported on a system-wide basis, which includes our own sales and the sales by our noncontrolled affiliates of snacks bearing Company-owned or licensed trademarks. Beverage volume reflects Company-owned or authorized bottler sales of beverages bearing Company-owned or licensed trademarks to independent distributors and retailers (see PepsiCo Americas Beverages above).

Middle East, Africa & Asia

MEAA manufactures, markets and sells through consolidated businesses as well as through noncontrolled affiliates, a number of leading salty and sweet snack brands including Lay's, Doritos, Cheetos, Smith's and Ruffles. Further, MEAA manufactures or uses contract manufacturers, markets and sells many Quaker brand cereals and snacks. MEAA also manufactures, markets and sells beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mirinda, 7UP and Mountain Dew. These brands are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, MEAA operates its own bottling plants and distribution facilities. In addition, MEAA licenses the Aquafina water brand to certain of its authorized bottlers. MEAA also manufactures or uses contract manufacturers, markets and sells ready-to-drink tea products through an international joint venture with Unilever. MEAA reports two measures of volume (see United Kingdom & Europe above).

New Organizational Structure

Beginning in the first quarter of 2009, we realigned certain countries within PI to be consistent with changes in geographic responsibility. As a result, our businesses in Turkey and certain Central Asia markets will become part of UKEU, which was renamed the Europe division. These countries were formerly part of MEAA, which was renamed the Asia, Middle East & Africa division. The changes did not impact the other existing reportable segments. Our historical segment reporting will be restated in 2009 to reflect the new structure. The division amounts and discussions reflected in this Form 10-K reflect the management reporting that existed through 2008.

Our Customers

Our customers include authorized bottlers and independent distributors, including foodservice distributors and retailers. We normally grant our bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality.

Since we do not sell directly to the consumer, we rely on and provide financial incentives to our customers to assist in the distribution and promotion of our products. For our independent distributors and retailers, these incentives include volume-based rebates, product placement fees, promotions and displays. For our bottlers, these incentives are referred to as bottler funding and are negotiated annually with each bottler to support a variety of trade and consumer programs, such as consumer incentives, advertising support, new product support, and vending and cooler equipment placement. Consumer incentives include coupons, pricing discounts and promotions, and other promotional offers. Advertising support is directed at advertising programs and supporting bottler media. New product support includes targeted consumer and retailer incentives and direct marketplace support, such as point-of-purchase materials, product placement fees, media and advertising. Vending and cooler equipment placement programs support the acquisition and placement of vending machines and cooler equipment. The nature and type of programs vary annually.

Retail consolidation and the current economic environment continue to increase the importance of major customers. In 2008, sales to Wal-Mart (including Sam's) represented approximately 12% of our total net revenue. Our top five retail customers represented approximately 32% of our 2008 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our bottlers which are used in finished goods sold by them to these retailers. In addition, sales to PBG represented approximately 8% of our total net revenue in 2008. See "Our Related Party Bottlers" and Note 8 for more information on our anchor bottlers.

Our Related Party Bottlers

We have ownership interests in certain of our bottlers. Our ownership is less than 50%, and since we do not control these bottlers, we do not consolidate their results. We have designated three related party bottlers, PBG, PepsiAmericas, Inc. (PAS) and Pepsi Bottling Ventures LLC (PBV), as our anchor bottlers. We include our share of their net income based on our percentage of economic ownership in our income statement as bottling equity income. Our anchor bottlers distribute approximately 60% of our North American beverage volume and approximately 17% of our beverage volume outside of North America. Our anchor bottlers participate in the bottler funding programs described above. Approximately 6% of our total 2008 sales incentives were related to these bottlers. See Note 8 for additional information on these related parties and related party commitments and guarantees. Our share of net income from other noncontrolled affiliates is recorded as a component of selling, general and administrative expenses.

Our Distribution Network

Our products are brought to market through DSD, customer warehouse and foodservice and vending distribution networks. The distribution system used depends on customer needs, product characteristics and local trade practices.

Direct-Store-Delivery

We, our bottlers and our distributors operate DSD systems that deliver snacks and beverages directly to retail stores where the products are merchandised by our employees or our bottlers. DSD enables us to merchandise with maximum visibility and appeal. DSD is especially well-suited to products that are restocked often and respond to in-store promotion and merchandising.

Customer Warehouse

Some of our products are delivered from our manufacturing plants and warehouses to customer warehouses and retail stores. These less costly systems generally work best for products that are less fragile and perishable, have lower turnover, and are less likely to be impulse purchases.

Foodservice and Vending

Our foodservice and vending sales force distributes snacks, foods and beverages to third-party foodservice and vending distributors and operators. Our foodservice and vending sales force also distributes certain beverages through our bottlers. This distribution system supplies our products to schools, businesses, stadiums, restaurants and similar locations.

Our Competition

Our businesses operate in highly competitive markets. We compete against global, regional, local and private label manufacturers on the basis of price, quality, product variety and distribution. In U.S. measured channels, our chief beverage competitor, The Coca-Cola Company, has a larger share of CSD consumption, while we have a larger share of liquid refreshment beverages consumption. In addition, The Coca-Cola Company has a significant CSD share advantage in many markets outside the United States. Further, our snack brands hold significant leadership positions in the snack industry worldwide. Our snack brands face local and regional competitors, as well as national and global snack competitors, and compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products and the introduction of new products. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allow us to compete effectively.

Other Relationships

Certain members of our Board of Directors also serve on the boards of certain vendors and customers. Those Board members do not participate in our vendor selection and negotiations nor in our customer negotiations. Our transactions with these vendors and customers are in the normal course of business and are consistent with terms negotiated with other vendors and customers. In addition, certain of our employees serve on the boards of our anchor bottlers and other affiliated companies and do not receive incremental compensation for their Board services.

Our Business Risks

We are subject to risks in the normal course of business. See “Risk Factors” in Item 1A. and “Executive Overview” above and “Market Risks” below for more information about these risks.

Risk Management Framework

The achievement of our strategic and operating objectives will necessarily involve taking risks. Our risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, we leverage an integrated risk management framework to identify, assess, prioritize, manage, monitor and communicate risks across the Company. This framework includes:

- The PepsiCo Executive Committee (PEC), comprised of a cross-functional, geographically diverse, senior management group which meets regularly to identify, assess, prioritize and address strategic and reputational risks;
- Division Risk Committees (DRCs), comprised of cross-functional senior management teams which meet regularly each year to identify, assess, prioritize and address division-specific operating risks;
- PepsiCo’s Risk Management Office, which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PEC and the DRCs, identifies and assesses potential risks, and facilitates ongoing communication between the parties, as well as to PepsiCo’s Audit Committee and Board of Directors;
- PepsiCo Corporate Audit, which evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures; and
- PepsiCo’s Compliance Office, which leads and coordinates our compliance policies and practices.

Market Risks

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy,
- foreign exchange rates, and
- interest rates.

In the normal course of business, we manage these risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging strategies. Ongoing productivity initiatives involve the identification and effective implementation of meaningful cost saving opportunities or efficiencies. Our global purchasing programs include fixed-price purchase orders and pricing agreements. See Note 9 for further information on our noncancelable purchasing commitments. Our hedging strategies include the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. We do not use derivative instruments for trading or speculative purposes. We perform a quarterly assessment of our counterparty credit risk, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. We consider this risk to be low, because we limit our exposure to individual, strong creditworthy counterparties and generally settle on a net basis.

The fair value of our derivatives fluctuates based on market rates and prices. The sensitivity of our derivatives to these market fluctuations is discussed below. See Note 10 for further discussion of these derivatives and our hedging policies. See "Our Critical Accounting Policies" for a discussion of the exposure of our pension plan assets and pension and retiree medical liabilities to risks related to stock prices and discount rates.

Inflationary, deflationary and recessionary conditions impacting these market risks also impact the demand for and pricing of our products. See "Risk Factors" in Item 1A. for further discussion.

Commodity Prices

We expect to be able to reduce the impact of volatility in our raw material and energy costs through our hedging strategies and ongoing sourcing initiatives.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $303 million at December 27, 2008 and $5 million at December 29, 2007. These contracts resulted in net unrealized losses of $117 million at December 27, 2008 and net unrealized gains of less than $1 million at December 29, 2007. At the end of 2008, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2008 by $19 million.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $626 million at December 27, 2008 and $105 million at December 29, 2007. These contracts resulted in net losses of $343 million in 2008 and net gains of $3 million in 2007. At the end of 2008, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net losses in 2008 by $34 million.

Foreign Exchange

Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within shareholders' equity under the caption currency translation adjustment.

Our operations outside of the U.S. generate 48% of our net revenue, with Mexico, Canada and the United Kingdom comprising 19% of our net revenue. As a result, we are exposed to foreign currency risks. During 2008, net favorable foreign currency, primarily due to appreciation in the euro and Chinese yuan, partially offset by depreciation in the British pound, contributed 1 percentage point to net revenue growth. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred. We may enter into derivatives to manage our exposure to foreign currency transaction risk. Our foreign currency derivatives had a total face value of $1.4 billion at December 27, 2008 and $1.6 billion at December 29, 2007. The contracts that qualify for hedge accounting resulted in net unrealized gains of $111 million at December 27, 2008 and net unrealized losses of $44 million at December 29, 2007. At the end of 2008, we estimate that an unfavorable 10% change in the exchange rates would have decreased our net unrealized gains by $70 million. The contracts that do not qualify for hedge accounting resulted in a net loss of $28 million in 2008 and a net gain of $15 million in 2007. All losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.

Interest Rates

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We may use interest rate and cross currency interest rate swaps to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Our 2008 and 2007 interest rate swaps were entered into concurrently with the issuance of the debt that they modified. The notional amount, interest payment and maturity date of the swaps match the principal, interest payment and maturity date of the related debt.

Assuming year-end 2008 variable rate debt and investment levels, a 1-percentage-point increase in interest rates would have increased net interest expense by $21 million in 2008.

OUR CRITICAL ACCOUNTING POLICIES

An appreciation of our critical accounting policies is necessary to understand our financial results. These policies may require management to make difficult and subjective judgments regarding uncertainties, and as a result, such estimates may significantly impact our financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. Other than our accounting for pension plans, our critical accounting policies do not involve the choice between alternative methods of accounting. We applied our critical accounting policies and estimation methods consistently in all material respects, and for all periods presented, and have discussed these policies with our Audit Committee.

Our critical accounting policies arise in conjunction with the following:

- revenue recognition,
- brand and goodwill valuations,
- income tax expense and accruals, and
- pension and retiree medical plans.

Revenue Recognition

Our products are sold for cash or on credit terms. Our credit terms, which are established in accordance with local and industry practices, typically require payment within 30 days of delivery in the U.S., and generally within 30 to 90 days internationally, and may allow discounts for early payment. We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. Our bottlers have a similar replacement policy and are responsible for the products they distribute.

Our policy is to provide customers with product when needed. In fact, our commitment to freshness and product dating serves to regulate the quantity of product shipped or delivered. In addition, DSD products are placed on the shelf by our employees with customer shelf space limiting the quantity of product. For product delivered through our other distribution networks, we monitor customer inventory levels.

As discussed in "Our Customers," we offer sales incentives and discounts through various programs to customers and consumers. Sales incentives and discounts are accounted for as a reduction of revenue and totaled $12.5 billion in 2008, $11.3 billion in 2007 and $10.1 billion in 2006. Sales incentives include payments to customers for performing merchandising activities on our behalf, such as payments for in-store displays, payments to gain distribution of new products, payments for shelf space and discounts to promote lower retail prices. A number of our sales incentives, such as bottler funding and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. The terms of most of our incentive arrangements do not exceed a year, and therefore do not require highly uncertain long-term estimates. For interim reporting, we estimate total annual sales incentives for most of our programs and record a pro rata share in proportion to revenue. Certain arrangements, such as fountain pouring rights, may extend beyond one year. The costs incurred to obtain these incentive arrangements are recognized over the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $333 million at year-end 2008 and $314 million at year-end 2007 are included in current assets and other assets on our balance sheet.

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectibility, the aging of accounts receivable and our analysis of customer data. Bad debt expense is classified within selling, general and administrative expenses in our income statement.

Brand and Goodwill Valuations

We sell products under a number of brand names, many of which were developed by us. The brand development costs are expensed as incurred. We also purchase brands in acquisitions. Upon acquisition, the purchase price is first allocated to identifiable assets and liabilities, including brands, based on estimated fair value, with any remaining purchase price recorded as goodwill. Determining fair value requires significant estimates and assumptions based on an evaluation of a number of factors, such as marketplace participants, product life cycles, market share, consumer awareness, brand history and future expansion expectations, amount and timing of future cash flows and the discount rate applied to the cash flows.

We believe that a brand has an indefinite life if it has a history of strong revenue and cash flow performance, and we have the intent and ability to support the brand with marketplace spending for the foreseeable future. If these perpetual brand criteria are not met, brands are amortized over their expected useful lives, which generally range from five to 40 years. Determining the expected life of a brand requires management judgment and is based on an evaluation of a number of factors, including market share, consumer awareness, brand history and future expansion expectations, as well as the macroeconomic environment of the countries in which the brand is sold.

Perpetual brands and goodwill, including the goodwill that is part of our noncontrolled bottling investment balances, are not amortized. Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. Goodwill is evaluated using a two-step impairment test at the reporting unit level. A reporting unit can be a division or business within a division. The first step compares the book value of a reporting unit, including goodwill, with its fair value, as determined by its discounted cash flows. If the book value of a reporting unit exceeds its fair value, we complete the second step to determine the amount of goodwill impairment loss that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The amount of impairment loss is equal to the excess of the book value of the goodwill over the implied fair value of that goodwill.

Amortizable brands are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. If an evaluation of the undiscounted future cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows.

Management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows. Assumptions used in our impairment evaluations, such as forecasted growth rates and our cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks discussed in "Risk Factors" in Item 1A.

We did not recognize any impairment charges for perpetual brands or goodwill in the years presented. As of December 27, 2008, we had $6.3 billion of perpetual brands and goodwill, of which approximately 55% related to Tropicana and Walkers.

Income Tax Expense and Accruals

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are subject to challenge and that we may not succeed. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances, such as the progress of a tax audit.

An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. We consider the tax adjustments from the resolution of prior year tax matters to be such items.

Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit in our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements.

In 2008, our annual tax rate was 26.8% compared to 25.9% in 2007 as discussed in "Other Consolidated Results." The tax rate in 2008 increased 0.9 percentage points primarily due to the absence of the tax benefits recognized in the prior year related to the favorable resolution of certain foreign tax matters, partially offset by lower taxes on foreign results in the current year. In 2009, our annual tax rate is expected to be approximately the same as 2008.

Pension and Retiree Medical Plans

Our pension plans cover full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts which vary based upon years of service, with retirees contributing the remainder of the cost.

Our Assumptions

The determination of pension and retiree medical plan obligations and related expenses requires the use of assumptions to estimate the amount of the benefits that employees earn while working, as well as the present value of those benefits. Annual pension and retiree medical expense amounts are principally based on four components: (1) the value of benefits earned by employees for working during the year (service cost), (2) increase in the liability due to the passage of time (interest cost), and (3) other gains and losses as discussed below, reduced by (4) expected return on plan assets for our funded plans.

Significant assumptions used to measure our annual pension and retiree medical expense include:

- the interest rate used to determine the present value of liabilities (discount rate);
- certain employee-related factors, such as turnover, retirement age and mortality;
- for pension expense, the expected return on assets in our funded plans and the rate of salary increases for plans where benefits are based on earnings; and
- for retiree medical expense, health care cost trend rates.

Our assumptions reflect our experience and management's best judgment regarding future expectations. Due to the significant management judgment involved, our assumptions could have a material impact on the measurement of our pension and retiree medical benefit expenses and obligations.

At each measurement date, the discount rate is based on interest rates for high-quality, long-term corporate debt securities with maturities comparable to those of our liabilities. Prior to 2008, we used the Moody's Aa Corporate Bond Index yield (Moody's Aa Index) in the U.S. and adjusted for differences between the average duration of the bonds in this Index and the average duration of our benefit liabilities, based upon a published index. As of the beginning of our 2008 fiscal year, our U.S. discount rate is determined using the Mercer Pension Discount Yield Curve (Mercer Yield Curve). The Mercer Yield Curve uses a portfolio of high-quality bonds rated Aa or higher by Moody's. We believe the Mercer Yield Curve includes bonds that provide a better match to the timing and amount of our expected benefit payments than the Moody's Aa Index.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. Our pension plan investment strategy includes the use of actively-managed securities and is reviewed annually based upon plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in high-quality and diversified equity and debt securities to achieve our long-term return expectations. We employ certain equity strategies which, in addition to investments in U.S. and international common and preferred stock, include investments in certain equity- and debt-based securities used collectively to generate returns in excess of certain equity-based indices. Debt based securities represent approximately 3% and 30% of our equity strategy portfolio as of year-end 2008 and 2007, respectively. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.8%, reflecting estimated long-term rates of return of 8.9% from our equity strategies, and 6.3% from our fixed income strategies. Our target investment allocation is 60% for equity strategies and 40% for fixed income strategies. Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations. To calculate the expected return on pension plan assets, we use a market-related valuation method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) for securities included in our equity strategies over a five-year period. This has the effect of reducing year-to-year volatility. For all other asset categories, the actual fair value is used for the market-related value of assets.

The difference between the actual return on plan assets and the expected return on plan assets is added to, or subtracted from, other gains and losses resulting from actual experience differing from our assumptions and from changes in our assumptions determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants, which is approximately 10 years for pension expense and approximately 12 years for retiree medical expense.

Effective as of the beginning of our 2008 fiscal year, we amended our U.S. hourly pension plan to increase the amount of participant earnings recognized in determining pension benefits. Additional pension plan amendments were also made as of the beginning of our 2008 fiscal year to comply with legislative and regulatory changes.

The health care trend rate used to determine our retiree medical plan's liability and expense is reviewed annually. Our review is based on our claim experience, information provided by our health plans and actuaries, and our knowledge of the health care industry. Our review of the trend rate considers factors such as demographics, plan design, new medical technologies and changes in medical carriers.

Weighted-average assumptions for pension and retiree medical expense are as follows:

	2009	2008	2007
Pension			
Expense discount rate	6.2%	6.3%	5.7%
Expected rate of return on plan assets	7.6%	7.6%	7.7%
Expected rate of salary increases	4.4%	4.4%	4.5%
Retiree medical			
Expense discount rate	6.2%	6.4%	5.8%
Current health care cost trend rate	8.0%	8.5%	9.0%

Based on our assumptions, we expect our pension expense to decrease in 2009, as expected asset returns on 2009 contributions and costs associated with our Productivity for Growth program recognized in 2008 are partially offset by an increase in experience loss amortization. The increase in experience loss amortization is due primarily to pension plan asset losses in 2008 and a slight decline in discount rates.

Sensitivity of Assumptions

A decrease in the discount rate or in the expected rate of return assumptions would increase pension expense. The estimated impact of a 25-basis-point decrease in the discount rate on 2009 pension expense is an increase of approximately $31 million. The estimated impact on 2009 pension expense of a 25-basis-point decrease in the expected rate of return is an increase of approximately $18 million.

See Note 7 regarding the sensitivity of our retiree medical cost assumptions.

Future Funding

We make contributions to pension trusts maintained to provide plan benefits for certain pension plans. These contributions are made in accordance with applicable tax regulations that provide for current tax deductions for our contributions, and taxation to the employee only upon receipt of plan benefits. Generally, we do not fund our pension plans when our contributions would not be currently tax deductible.

Our pension contributions for 2008 were $149 million, of which $23 million was discretionary. In 2009, we will make contributions of $1.1 billion with up to $1 billion being discretionary. Our cash payments for retiree medical benefits are estimated to be approximately $100 million in 2009. As our retiree medical plans are not subject to regulatory funding requirements, we fund these plans on a pay-as-you-go basis. Our pension and retiree medical contributions are subject to change as a result of many factors, such as changes in interest rates, deviations between actual and expected asset returns, and changes in tax or other benefit laws. For estimated future benefit payments, including our pay-as-you-go payments as well as those from trusts, see Note 7.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. We adopted SFAS 159 as of the beginning of our 2008 fiscal year and our adoption did not impact our financial statements.

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations* (SFAS 141R), to improve, simplify and converge internationally the accounting for business combinations. SFAS 141R continues the movement toward the greater use of fair value in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. The provisions of SFAS 141R are effective as of the beginning of our 2009 fiscal year, with the exception of adjustments made to valuation allowances on deferred taxes and acquired tax contingencies. Future adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the beginning of our 2009 fiscal year would apply the provisions of SFAS 141R and will be evaluated based on the outcome of these matters. We do not expect the adoption of SFAS 141R to have a material impact on our financial statements.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51* (SFAS 160). SFAS 160 amends ARB 51 to establish new standards that will govern the accounting for and reporting of (1) noncontrolling interests in partially owned consolidated subsidiaries and (2) the loss of control of subsidiaries. The provisions of SFAS 160 are effective as of the beginning of our 2009 fiscal year on a prospective basis. We do not expect our adoption of SFAS 160 to have a significant impact on our financial statements. In the first quarter of 2009, we will include the required disclosures for all periods presented.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161), which amends and expands the disclosure requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), to provide an enhanced understanding of the use of derivative instruments, how they are accounted for under SFAS 133 and their effect on financial position, financial performance and cash flows. The disclosure provisions of SFAS 161 are effective as of the beginning of our 2009 fiscal year.

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OUR FINANCIAL RESULTS

Items Affecting Comparability

The year-over-year comparisons of our financial results are affected by the following items:

	2008	2007	2006
Operating profit			
Mark-to-market net impact	**$ (346)**	$ 19	$ (18)
Restructuring and impairment charges	**$ (543)**	$ (102)	$ (67)
Net income			
Mark-to-market net impact	**$ (223)**	$ 12	$ (12)
Restructuring and impairment charges	**$ (408)**	$ (70)	$ (43)
Tax benefits	**—**	$ 129	$ 602
PepsiCo share of PBG restructuring and impairment charges	**$ (114)**	—	—
PepsiCo share of PBG tax settlement	**—**	—	$ 18
Net income per common share – diluted			
Mark-to-market net impact	**$(0.14)**	$ 0.01	$(0.01)
Restructuring and impairment charges	**$(0.25)**	$(0.04)	$(0.03)
Tax benefits	**—**	$ 0.08	$ 0.36
PepsiCo share of PBG restructuring and impairment charges	**$(0.07)**	—	—
PepsiCo share of PBG tax settlement	**—**	—	$ 0.01

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, fruit and other raw materials. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity.

In 2008, we recognized $346 million ($223 million after-tax or $0.14 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

In 2007, we recognized $19 million ($12 million after-tax or $0.01 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In 2006, we recognized $18 million ($12 million after-tax or $0.01 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

Restructuring and Impairment Charges

In 2008, we incurred a charge of $543 million ($408 million after-tax or $0.25 per share) in conjunction with our Productivity for Growth program. The program includes actions in all divisions of the business, including the closure of six plants that we believe will increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. In connection with this program, we expect to incur an additional pre-tax charge of approximately $30 million to $60 million in 2009.

In 2007, we incurred a charge of $102 million ($70 million after-tax or $0.04 per share) in conjunction with restructuring actions primarily to close certain plants and rationalize other production lines.

In 2006, we incurred a charge of $67 million ($43 million after-tax or $0.03 per share) in conjunction with consolidating the manufacturing network at FLNA by closing two plants in the U.S., and rationalizing other assets, to increase manufacturing productivity and supply chain efficiencies.

Tax Benefits

In 2007, we recognized $129 million ($0.08 per share) of non-cash tax benefits related to the favorable resolution of certain foreign tax matters.

In 2006, we recognized non-cash tax benefits of $602 million ($0.36 per share), substantially all of which related to the Internal Revenue Service's (IRS) examination of our consolidated tax returns for the years 1998 through 2002.

PepsiCo Share of PBG's Restructuring and Impairment Charges

In 2008, PBG implemented a restructuring initiative across all of its geographic segments. In addition, PBG recognized an asset impairment charge related to its business in Mexico. Consequently, a non-cash charge of $138 million was included in bottling equity income ($114 million after-tax or $0.07 per share) as part of recording our share of PBG's financial results.

PepsiCo Share of PBG Tax Settlement

In 2006, the IRS concluded its examination of PBG's consolidated income tax returns for the years 1999 through 2000. Consequently, a non-cash benefit of $21 million was included in bottling equity income ($18 million after-tax or $0.01 per share) as part of recording our share of PBG's financial results.

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Results of Operations — Consolidated Review

In the discussions of net revenue and operating profit below, *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. Additionally, *acquisitions* reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries. The impact of acquisitions related to our non-consolidated equity investees is reflected in our volume and, excluding our anchor bottlers, in our operating profit.

Servings

Since our divisions each use different measures of physical unit volume (i.e., kilos, gallons, pounds and case sales), a common servings metric is necessary to reflect our consolidated physical unit volume. Our divisions' physical volume measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

In 2008, total servings increased 3% compared to 2007, as servings for both beverages and snacks worldwide grew 3%. In 2007, total servings increased over 4% compared to 2006, as servings for beverages worldwide grew 4% and servings for snacks worldwide grew 6%.

Net Revenue and Operating Profit

				Change	
	2008	2007	2006	**2008**	2007
Total net revenue	**$43,251**	$39,474	$35,137	**10%**	12%
Operating profit					
FLNA	**$ 2,959**	$ 2,845	$ 2,615	**4%**	9%
QFNA	**582**	568	554	**2.5%**	2.5%
LAF	**897**	714	655	**26%**	9%
PAB	**2,026**	2,487	2,315	**(19)%**	7%
UKEU	**811**	774	700	**5%**	11%
MEAA	**667**	535	401	**25%**	34%
Corporate – net impact of mark-to-market on commodity hedges	**(346)**	19	(18)	**n/m**	n/m
Corporate – other	**(661)**	(772)	(720)	**(14)%**	7%
Total operating profit	**$ 6,935**	$ 7,170	$ 6,502	**(3)%**	10%
Total operating profit margin	**16.0%**	18.2%	18.5%	**(2.2)**	(0.3)

n/m represents year-over-year changes that are not meaningful.

2008

Total operating profit decreased 3% and margin decreased 2.2 percentage points. The unfavorable net mark-to-market impact of our commodity hedges and increased restructuring and impairment charges contributed 11 percentage points to the operating profit decline and 1.9 percentage points to the margin decline. Leverage from the revenue growth was offset by the impact of higher commodity costs. Acquisitions and foreign currency each positively contributed 1 percentage point to operating profit performance.

Other corporate unallocated expenses decreased 14%. The favorable impact of certain employee-related items, including lower deferred compensation and pension costs were partially offset by higher costs associated with our global SAP implementation and increased research and development costs. The decrease in deferred compensation costs are offset by a decrease in interest income from losses on investments used to economically hedge these costs.

2007

Total operating profit increased 10% and margin decreased 0.3 percentage points. The operating profit growth reflects leverage from the revenue growth, offset by increased cost of sales, largely due to higher raw material costs. The impact of foreign currency contributed 2 percentage points to operating profit growth. There was no net impact of acquisitions on operating profit growth.

Other corporate unallocated expenses increased 7% primarily reflecting increased research and development costs and the absence of certain other favorable corporate items in 2006, partially offset by lower pension costs.

Other Consolidated Results

				Change	
	2008	2007	2006	**2008**	2007
Bottling equity income	**$ 374**	$ 560	$ 553	**(33)%**	1%
Interest expense, net	**$ (288)**	$ (99)	$ (66)	**$(189)**	$ (33)
Annual tax rate	**26.8%**	25.9%	19.3%		
Net income	**$5,142**	$5,658	$5,642	**(9)%**	—
Net income per common share – diluted	**$ 3.21**	$ 3.41	$ 3.34	**(6)%**	2%

Bottling equity income includes our share of the net income or loss of our anchor bottlers as described in "Our Customers." Our interest in these bottling investments may change from time to time. Any gains or losses from these changes, as well as other transactions related to our bottling investments, are also included on a pre-tax basis. In November 2007, our Board of Directors approved the sale of additional PBG stock to an economic ownership level of 35%, as well as the sale of PAS stock to the ownership level at the time of the merger with Whitman Corporation in 2000 of about 37%. We sold 8.8 million and 9.5 million shares of PBG stock in 2008 and 2007, respectively. In addition, in 2008, we sold 3.3 million shares of PAS stock. The resulting lower ownership percentages reduce the equity income from PBG and PAS that we recognize. See "Our Liquidity and Capital Resources – Investing Activities" for further information with respect to planned sales of PBG and PAS stock in 2009.

2008

Bottling equity income decreased 33%, primarily reflecting a non-cash charge of $138 million related to our share of PBG's restructuring and impairment charges. Additionally, lower pre-tax gains on our sales of PBG stock contributed to the decline.

Net interest expense increased $189 million, primarily reflecting higher average debt balances and losses on investments used to economically hedge our deferred compensation costs, partially offset by lower average rates on our borrowings.

The tax rate increased 0.9 percentage points compared to the prior year, primarily due to $129 million of tax benefits recognized in the prior year related to the favorable resolution of certain foreign tax matters, partially offset by lower taxes on foreign results in the current year.

Net income decreased 9% and the related net income per share decreased 6%. The unfavorable net mark-to-market impact of our commodity hedges, the absence of the tax benefits recognized in the prior year, our increased restructuring and impairment charges and our share of PBG's restructuring and impairment charges collectively contributed 15 percentage points to both the decline in net income and net income per share. Additionally, net income per share was favorably impacted by our share repurchases.

2007

Bottling equity income increased 1% reflecting higher earnings from our anchor bottlers, partially offset by the impact of our reduced ownership level in 2007 and lower pre-tax gains on our sale of PBG stock.

Net interest expense increased $33 million primarily reflecting the impact of lower investment balances and higher average rates on our debt, partially offset by higher average interest rates on our investments and lower average debt balances.

The tax rate increased 6.6 percentage points compared to the prior year primarily reflecting an unfavorable comparison to the prior year's non-cash tax benefits.

Net income remained flat and the related net income per share increased 2%. Our solid operating profit growth and favorable net mark-to-market impact were offset by unfavorable comparisons to the non-cash tax benefits and restructuring and impairment charges in the prior year. These items affecting comparability reduced both net income performance and related net income per share growth by 10 percentage points. Additionally, net income per share was favorably impacted by our share repurchases.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. In addition, our operating profit and growth, excluding the impact of restructuring and impairment charges, are not measures defined by accounting principles generally accepted in the U.S. However, we believe investors should consider these measures as they are more indicative of our ongoing performance and with how management evaluates our operating results and trends. For additional information on our divisions, see Note 1 and for additional information on our restructuring and impairment charges, see Note 3.

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	FLNA	QFNA	LAF	PAB	UKEU	MEAA	Total
Net Revenue, 2008	**$12,507**	**$ 1,902**	**$5,895**	**$10,937**	**$ 6,435**	**$ 5,575**	**$43,251**
Net Revenue, 2007	$11,586	$ 1,860	$4,872	$11,090	$ 5,492	$ 4,574	$39,474
% Impact of:							
Volume[a]	— %	(1.5)%	— %	(4.5)%	4%	13%	1%
Effective net pricing[b]	7	4	11	3	4	6	6
Foreign exchange	—	—	—	—	2	1	1
Acquisitions	—	—	9	—	8	2	2
% Change[c]	*8%*	*2%*	*21%*	*(1)%*	*17%*	*22%*	*10%*

	FLNA	QFNA	LAF	PAB	UKEU	MEAA	Total
Net Revenue, 2007	$11,586	$ 1,860	$4,872	$11,090	$ 5,492	$ 4,574	$39,474
Net Revenue, 2006	$10,844	$ 1,769	$3,972	$10,362	$ 4,750	$ 3,440	$35,137
% Impact of:							
Volume[a]	3%	2%	5%	(1)%	4%	12%	3%
Effective net pricing[b]	4	3	5	5	3	5	4
Foreign exchange	0.5	1	2	0.5	9	5.5	2
Acquisitions	—	—	11	2	—	11	3
% Change[c]	*7%*	*5%*	*23%*	*7%*	*16%*	*33%*	*12%*

(a) Excludes the impact of acquisitions. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to non-consolidated joint venture volume, and, for our beverage businesses, temporary timing differences between BCS and CSE. Our net revenue excludes non-consolidated joint venture volume, and, for our beverage businesses, is based on CSE.

(b) Includes 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.

(c) Amounts may not sum due to rounding.

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Frito-Lay North America

				% Change	
	2008	2007	2006	**2008**	2007
Net revenue	**$12,507**	$11,586	$10,844	**8**	7
Operating profit	**$ 2,959**	$ 2,845	$ 2,615	**4**	9
Impact of restructuring and impairment charges	**108**	28	67		
Operating profit, excluding restructuring and impairment charges	**$ 3,067**	$ 2,873	$ 2,682	**7**	7

2008

Net revenue grew 8% and pound volume grew 1%. The volume growth reflects our 2008 Sabra joint venture and mid-single-digit growth in trademark Cheetos, Ruffles and dips. These volume gains were largely offset by mid-single-digit declines in trademark Lay's and Doritos. Net revenue growth benefited from pricing actions. Foreign currency had a nominal impact on net revenue growth.

Operating profit grew 4%, reflecting the net revenue growth. This growth was partially offset by higher commodity costs, primarily cooking oil and fuel. Operating profit growth was negatively impacted by 3 percentage points, resulting from higher fourth quarter restructuring and impairment charges in 2008 related to the Productivity for Growth program. Foreign currency and acquisitions each had a nominal impact on operating profit growth. Operating profit, excluding restructuring and impairment charges, grew 7%.

2007

Net revenue grew 7%, reflecting volume growth of 3% and positive effective net pricing due to pricing actions and favorable mix. Pound volume grew primarily due to high-single-digit growth in trademark Doritos and double-digit growth in dips, SunChips and multipack. These volume gains were partially offset by a mid-single-digit decline in trademark Lay's.

Operating profit grew 9%, primarily reflecting the net revenue growth, as well as a favorable casualty insurance actuarial adjustment reflecting improved safety performance. This growth was partially offset by higher commodity costs, as well as increased advertising and marketing expenses. Operating profit benefited almost 2 percentage points from the impact of lower restructuring and impairment charges in 2007 related to the continued consolidation of the manufacturing network. Operating profit, excluding restructuring and impairment charges, grew 7%.

Quaker Foods North America

	2008	2007	2006	% Change **2008**	% Change 2007
Net revenue	**$1,902**	$1,860	$1,769	**2**	5
Operating profit	**$ 582**	$ 568	$ 554	**2.5**	2.5
Impact of restructuring and impairment charges	**31**	—	—		
Operating profit, excluding restructuring and impairment charges	**$ 613**	$ 568	$ 554	**8**	2.5

2008

Net revenue increased 2% and volume declined 1.5%, partially reflecting the negative impact of the Cedar Rapids flood that occurred at the end of the second quarter. The volume decrease reflects a low-single-digit decline in Quaker Oatmeal and ready-to-eat cereals. The net revenue growth reflects favorable effective net pricing, due primarily to price increases, partially offset by the volume decline. Foreign currency had a nominal impact on net revenue growth.

Operating profit increased 2.5%, reflecting the net revenue growth and lower advertising and marketing costs, partially offset by increased commodity costs. The negative impact of the flood was mitigated by related business disruption insurance recoveries, which contributed 5 percentage points to operating profit. The fourth quarter restructuring and impairment charges related to the Productivity for Growth program reduced operating profit growth by 5 percentage points. Foreign currency had a nominal impact on operating profit growth. Operating profit, excluding restructuring and impairment charges, grew 8%.

2007

Net revenue increased 5% and volume increased 2%. The volume increase reflects mid-single-digit growth in Oatmeal and Life cereal, as well as low-single-digit growth in Cap’n Crunch cereal. These increases were partially offset by a double-digit decline in Rice-A-Roni. The increase in net revenue primarily reflects price increases taken earlier in 2007, as well as the volume growth. Favorable Canadian exchange rates contributed nearly 1 percentage point to net revenue growth.

Operating profit increased 2.5%, primarily reflecting the net revenue growth partially offset by increased raw material costs.

Latin America Foods

				% Change	
	2008	2007	2006	**2008**	2007
Net revenue	**$5,895**	$4,872	$3,972	**21**	23
Operating profit	**$ 897**	$ 714	$ 655	**26**	9
Impact of restructuring and impairment charges	**40**	39	—		
Operating profit, excluding restructuring and impairment charges	**$ 937**	$ 753	$ 655	**24**	15

2008

Snacks volume grew 3%, primarily reflecting the acquisition in Brazil, which contributed nearly 3 percentage points to the volume growth. A mid-single-digit decline at Sabritas in Mexico, largely resulting from weight-outs, was offset by mid-single digit growth at Gamesa in Mexico and double-digit growth in certain other markets.

Net revenue grew 21%, primarily reflecting favorable effective net pricing. Gamesa experienced double-digit growth due to favorable pricing actions. Acquisitions contributed 9 percentage points to the net revenue growth, while foreign currency had a nominal impact on net revenue growth.

Operating profit grew 26%, driven by the net revenue growth, partially offset by increased commodity costs. An insurance recovery contributed 3 percentage points to the operating profit growth. The impact of the fourth quarter restructuring and impairment charges in 2008 related to the Productivity for Growth program was offset by the prior year restructuring charges. Acquisitions contributed 4 percentage points and foreign currency contributed 1 percentage point to the operating profit growth. Operating profit, excluding restructuring and impairment charges, grew 24%.

2007

Snacks volume grew 6%, reflecting double-digit growth at Gamesa and in Argentina and high-single-digit growth in Brazil, partially offset by a low-single-digit decline at Sabritas. An acquisition in Brazil in the third quarter of 2007 contributed 0.5 percentage points to the reported volume growth rate.

Net revenue grew 23%, reflecting favorable effective net pricing and volume growth. Acquisitions contributed 11 percentage points to the net revenue growth. Foreign currency contributed 2 percentage points of growth, primarily reflecting the favorable Brazilian real.

Operating profit grew 9%, driven by the favorable effective net pricing and volume growth, partially offset by increased raw material costs. Acquisitions contributed 3 percentage points to the operating profit growth. Foreign currency contributed 2 percentage points of growth, primarily reflecting the favorable Brazilian real. The impact of restructuring actions taken in the fourth quarter to reduce costs in our operations, rationalize capacity and realign our organizational structure reduced operating profit growth by 6 percentage points. Operating profit, excluding restructuring and impairment charges, grew 15%.

PepsiCo Americas Beverages

				% Change	
	2008	2007	2006	**2008**	2007
Net revenue	**$10,937**	$11,090	$10,362	**(1)**	7
Operating profit	**$ 2,026**	$ 2,487	$ 2,315	**(19)**	7
Impact of restructuring and impairment charges	**289**	12	—		
Operating profit, excluding restructuring and impairment charges	**$ 2,315**	$ 2,499	$ 2,315	**(7)**	8

2008

BCS volume declined 3%, reflecting a 5% decline in North America, partially offset by a 4% increase in Latin America. Our North American business navigated a challenging year in the U.S., where the liquid refreshment beverage category declined on a year-over-year basis. In North America, CSD volume declined 4%, driven by a mid-single-digit decline in trademark Pepsi and a low-single-digit decline in trademark Sierra Mist, offset in part by a slight increase in trademark Mountain Dew. Non-carbonated beverage volume declined 6%.

Net revenue declined 1 percent, reflecting the volume declines in North America, partially offset by favorable effective net pricing. The effective net pricing reflects positive mix and price increases taken primarily on concentrate and fountain products this year. Foreign currency had a nominal impact on the net revenue decline.

Operating profit declined 19%, primarily reflecting higher fourth quarter restructuring and impairment charges in 2008 related to the Productivity for Growth program, which contributed 11 percentage points to the operating profit decline. In addition, higher product costs and higher selling and delivery costs, primarily due to higher fuel costs, contributed to the decline. Foreign currency had a nominal impact on the operating profit decline. Operating profit, excluding restructuring and impairment charges, declined 7%.

2007

BCS volume grew 1%, driven by a 4% increase in our Latin America businesses. BCS volume was flat in North America.

In North America, BCS volume was flat due to a 3% decline in CSDs, entirely offset by a 5% increase in non-carbonated beverages. The decline in the CSD portfolio reflects a mid-single-digit decline in trademark Pepsi offset slightly by a low-single-digit increase in trademark Sierra Mist. Trademark Mountain Dew volume was flat. Across the brands, regular CSDs experienced a mid-single-digit decline and diet CSDs experienced a low-single-digit decline. The non-carbonated portfolio performance was driven by double-digit growth in Lipton ready-to-drink teas, double-digit growth in waters and enhanced waters under the Aquafina, Propel and SoBe Lifewater trademarks and low-single-digit growth in Gatorade, partially offset by a mid-single-digit decline in our juice and juice drinks portfolio as a result of previous price increases.

In our Latin America businesses, volume growth reflected double-digit increases in Brazil, Argentina and Venezuela, partially offset by a low-single-digit decline in Mexico. Both CSDs and non-carbonated beverages grew at mid-single-digit rates.

Net revenue grew 7%, driven by effective net pricing, primarily reflecting price increases on Tropicana Pure Premium and CSD concentrate and growth in finished goods beverages. Acquisitions contributed 2 percentage points to net revenue growth.

Operating profit increased 7%, reflecting the net revenue growth, partially offset by higher cost of sales, mainly due to increased fruit costs, as well as higher general and administrative costs. The impact of restructuring actions taken in the fourth quarter was fully offset by the favorable impact of foreign exchange rates during the year. Operating profit was also positively impacted by the absence of amortization expense related to a prior acquisition, partially offset by the absence of a $29 million favorable insurance settlement, both recorded in 2006. The impact of acquisitions reduced operating profit by less than 1 percentage point. Operating profit, excluding restructuring and impairment charges, increased 8%.

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United Kingdom & Europe

				% Change	
	2008	2007	2006	**2008**	2007
Net revenue	**$6,435**	$5,492	$4,750	**17**	16
Operating profit	**$ 811**	$ 774	$ 700	**5**	11
Impact of restructuring and impairment charges	**50**	9	—		
Operating profit, excluding restructuring and impairment charges	**$ 861**	$ 783	$ 700	**10**	12

2008

Snacks volume grew 6%, reflecting broad-based increases led by double-digit growth in Russia. Additionally, Walkers in the United Kingdom, as well as the Netherlands, grew at low-single-digit rates and Spain increased slightly. Acquisitions contributed 2 percentage points to the volume growth.

Beverage volume grew 17%, primarily reflecting the expansion of the Pepsi Lipton Joint Venture and the Sandora and Lebedyansky acquisitions, which contributed 16 percentage points to the growth. CSDs increased at a low-single-digit rate and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 17%, reflecting favorable effective net pricing and volume growth. Acquisitions contributed 8 percentage points and foreign currency contributed 2 percentage points to the net revenue growth.

Operating profit grew 5%, driven by the net revenue growth, partially offset by increased commodity costs. Acquisitions contributed 5.5 percentage points and foreign currency contributed 3.5 percentage points to the operating profit growth. Operating profit growth was negatively impacted by 5 percentage points, resulting from higher fourth quarter restructuring and impairment charges in 2008 related to the Productivity for Growth program. Operating profit, excluding restructuring and impairment charges, grew 10%.

2007

Snacks volume grew 6%, reflecting broad-based increases led by double-digit growth in Russia and Romania, partially offset by low-single-digit declines at Walkers in the United Kingdom and in France. The acquisition of a business in Europe in the third quarter of 2006 contributed nearly 2 percentage points to the reported volume growth rate.

Beverage volume grew 8%, reflecting broad-based increases led by double-digit growth in Russia and Poland, partially offset by a high-single-digit decline in Spain. The acquisition of a noncontrolling interest in a business in the Ukraine in the fourth quarter of 2007 contributed 3 percentage points to the reported volume growth rate. CSDs grew at a low-single-digit rate while non-carbonated beverages grew at a double-digit rate.

Net revenue grew 16%, primarily reflecting volume growth and favorable effective net pricing. Foreign currency contributed 9 percentage points to net revenue growth, primarily reflecting the favorable euro and British pound. The net impact of acquisitions reduced net revenue growth slightly.

Operating profit grew 11%, driven by the net revenue growth, partially offset by increased raw material costs and less-favorable settlements of promotional spending accruals in 2007. Foreign currency contributed 10 percentage points of growth, primarily reflecting the favorable British pound and euro. The net impact of acquisitions reduced operating profit growth by 4 percentage points. Operating profit, excluding restructuring and impairment charges, grew 12%.

Middle East, Africa & Asia

				% Change	
	2008	2007	2006	**2008**	2007
Net revenue	**$5,575**	$4,574	$3,440	**22**	33
Operating profit	**$ 667**	$ 535	$ 401	**25**	34
Impact of restructuring and impairment charges	**15**	14	—		
Operating profit, excluding restructuring and impairment charges	**$ 682**	$ 549	$ 401	**24**	37

2008

Snacks volume grew 10%, reflecting broad-based increases led by double-digit growth in China, the Middle East and South Africa. Additionally, Australia experienced low-single-digit growth and India grew at mid-single-digit rates.

Beverage volume grew 11%, reflecting broad-based increases driven by double-digit growth in China, the Middle East and India, partially offset by low-single-digit declines in Thailand and the Philippines. Acquisitions had a nominal impact on beverage volume growth. CSDs grew at a high-single-digit rate and non-carbonated beverages grew at a double-digit rate.

Net revenue grew 22%, reflecting volume growth and favorable effective net pricing. Acquisitions contributed 2 percentage points and foreign currency contributed 1 percentage point to the net revenue growth.

Operating profit grew 25%, driven by the net revenue growth, partially offset by increased commodity costs. Foreign currency contributed 2 percentage points and acquisitions contributed 1 percentage point to the operating profit growth. The impact of the fourth quarter restructuring and impairment charges in 2008 related to the Productivity for Growth program was offset by the prior year restructuring charges. Operating profit, excluding restructuring and impairment charges, grew 24%.

2007

Snacks volume grew 19%, reflecting broad-based growth. The Middle East, Turkey, India, South Africa and China all grew at double-digit rates, and Australia grew at a high-single-digit rate. Acquisitions contributed 4 percentage points to volume growth.

Beverage volume grew 11%, reflecting broad-based growth led by double-digit growth in the Middle East, Pakistan and China, partially offset by a high-single-digit decline in Thailand and a low-single-digit-decline in Turkey. Acquisitions had no impact on the growth rates. Both CSDs and non-carbonated beverages grew at double-digit rates.

Net revenue grew 33%, reflecting volume growth and favorable effective net pricing. Foreign currency contributed 5.5 percentage points to net revenue growth. Acquisitions contributed 11 percentage points to net revenue growth.

Operating profit grew 34%, driven by volume growth and favorable effective net pricing, partially offset by increased raw material costs. Foreign currency contributed 7 percentage points to operating profit growth. Acquisitions contributed 1 percentage point to the operating profit growth rate. The absence of amortization expense recorded in 2006 related to prior acquisitions contributed 11 percentage points to operating profit growth. The impact of restructuring actions taken in the fourth quarter of 2007 to reduce costs in our operations, rationalize capacity and realign our organizational structure reduced operating profit growth by 3.5 percentage points. Operating profit, excluding restructuring and impairment charges, grew 37%.

Our Liquidity and Capital Resources

Global capital and credit markets, including the commercial paper markets, experienced in 2008 and continue to experience considerable volatility. Despite this volatility, we continue to have access to the capital and credit markets. In addition, we have revolving credit facilities that are discussed in Note 9. We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing (including long-term debt financing which, depending upon market conditions, we intend to use to replace a portion of our commercial paper borrowings), will be adequate to meet our operating, investing and financing needs. However, there can be no assurance that continued or increased volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us or at all.

In addition, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter.

Operating Activities

In 2008, our operations provided $7.0 billion of cash, compared to $6.9 billion in the prior year, primarily reflecting our solid business results. Our operating cash flow in 2008 reflects restructuring payments of $180 million, including $159 million related to our Productivity for Growth program, and pension and retiree medical contributions of $219 million, of which $23 million were discretionary.

In 2007, our operations provided $6.9 billion of cash, compared to $6.1 billion in 2006, primarily reflecting solid business results.

Substantially all cash payments related to the Productivity for Growth program are expected to be paid by the end of 2009. In addition, in 2009, we will make a $640 million after-tax discretionary contribution to our U.S. pension plans.

Investing Activities

In 2008, we used $2.7 billion for our investing activities, primarily reflecting $2.4 billion for capital spending and $1.9 billion for acquisitions. Significant acquisitions included our joint acquisition with PBG of Lebedyansky in Russia and the acquisition of a snacks company in Serbia. The use of cash was partially offset by net proceeds from sales of short-term investments of $1.3 billion and proceeds from sales of PBG and PAS stock of $358 million.

In 2007, we used $3.7 billion for our investing activities, reflecting capital spending of $2.4 billion and acquisitions of $1.3 billion. Acquisitions included the remaining interest in a snacks joint venture in Latin America, Naked Juice Company and Bluebird Foods, and the acquisition of a minority interest in a juice company in the Ukraine through a joint venture with PAS. Proceeds from our sale of PBG stock of $315 million were offset by net purchases of short-term investments of $383 million.

We expect a high-single-digit decrease in net capital spending in 2009. In addition, we do not anticipate cash proceeds in 2009 from sales of PBG and PAS stock due to the current capital market conditions.

Financing Activities

In 2008, we used $3.0 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of $4.7 billion and dividend payments of $2.5 billion. The use of cash was partially offset by proceeds from issuances of long-term debt, net of payments, of $3.1 billion, stock option proceeds of $620 million and net proceeds from short-term borrowings of $445 million.

In 2007, we used $4.0 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of $4.3 billion and dividend payments of $2.2 billion, as well as net repayments of short-term borrowings of $395 million. The use of cash was partially offset by stock option proceeds of $1.1 billion and net proceeds from issuances of long-term debt of $1.6 billion.

We annually review our capital structure with our Board, including our dividend policy and share repurchase activity. In the second quarter of 2008, our Board of Directors approved a 13% dividend increase from $1.50 to $1.70 per share. During the third quarter of 2008, we completed our $8.5 billion repurchase program publicly announced on May 3, 2006 and expiring on June 30, 2009 and began repurchasing shares under our $8.0 billion repurchase program authorized by the Board of Directors in the second quarter of 2007 and expiring on June 30, 2010. The current $8.0 billion authorization has approximately $6.4 billion remaining for repurchase. We have historically repurchased significantly more shares each year than we have issued under our stock-based compensation plans, with average net annual repurchases of 1.8% of outstanding shares for the last five years. In 2009, we intend, subject to market conditions, to spend up to $2.5 billion repurchasing shares.

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. 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. The table below reconciles the net cash provided by operating activities, as reflected in our cash flow statement, to our management operating cash flow.

	2008	2007	2006
Net cash provided by operating activities[(a)]	**$ 6,999**	$ 6,934	$ 6,084
Capital spending	**(2,446)**	(2,430)	(2,068)
Sales of property, plant and equipment	**98**	47	49
Management operating cash flow	**$ 4,651**	$ 4,551	$ 4,065

(a) Includes restructuring payments of $180 million in 2008, $22 million in 2007 and $56 million in 2006.

Management operating cash flow was used primarily to repurchase shares and pay dividends. We expect to continue to return approximately all of our management operating cash flow to our shareholders through dividends and share repurchases. However, see “Risk Factors” in Item 1A. and “Our Business Risks” for certain factors that may impact our operating cash flows.

Credit Ratings

Our debt ratings of Aa2 from Moody’s and A+ from Standard & Poor’s contribute to our ability to access global capital and credit markets. We have maintained strong investment grade ratings for over a decade. Each rating is considered strong investment grade and is in the first quartile of its respective ranking system. These ratings also reflect the impact of our anchor bottlers’ cash flows and debt.

Credit Facilities and Long-Term Contractual Commitments

See Note 9 for a description of our credit facilities and long-term contractual commitments.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. However, at the time of the separation of our bottling operations from us various guarantees were necessary to facilitate the transactions. In 2008, we extended our guarantee of a portion of Bottling Group LLC's long-term debt in connection with the refinancing of a corresponding portion of the underlying debt. At December 27, 2008, we believe it is remote that these guarantees would require any cash payment. We do not enter into off-balance-sheet transactions specifically structured to provide income or tax benefits or to avoid recognizing or disclosing assets or liabilities. See Note 9 for a description of our off-balance-sheet arrangements.

Consolidated Statement of Income
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006
(in millions except per share amounts)

	2008	2007	2006
Net Revenue	**$43,251**	$39,474	$35,137
Cost of sales	**20,351**	18,038	15,762
Selling, general and administrative expenses	**15,901**	14,208	12,711
Amortization of intangible assets	**64**	58	162
Operating Profit	**6,935**	7,170	6,502
Bottling equity income	**374**	560	553
Interest expense	**(329)**	(224)	(239)
Interest income	**41**	125	173
Income before Income Taxes	**7,021**	7,631	6,989
Provision for Income Taxes	**1,879**	1,973	1,347
Net Income	**$ 5,142**	$ 5,658	$ 5,642
Net Income per Common Share			
Basic	**$ 3.26**	$ 3.48	$ 3.42
Diluted	**$ 3.21**	$ 3.41	$ 3.34

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006
(in millions)

	2008	2007	2006
Operating Activities			
Net income	**$ 5,142**	$ 5,658	$ 5,642
Depreciation and amortization	**1,543**	1,426	1,406
Stock-based compensation expense	**238**	260	270
Restructuring and impairment charges	**543**	102	67
Excess tax benefits from share-based payment arrangements	**(107)**	(208)	(134)
Cash payments for restructuring charges	**(180)**	(22)	(56)
Pension and retiree medical plan contributions	**(219)**	(310)	(131)
Pension and retiree medical plan expenses	**459**	535	544
Bottling equity income, net of dividends	**(202)**	(441)	(442)
Deferred income taxes and other tax charges and credits	**573**	118	(510)
Change in accounts and notes receivable	**(549)**	(405)	(330)
Change in inventories	**(345)**	(204)	(186)
Change in prepaid expenses and other current assets	**(68)**	(16)	(37)
Change in accounts payable and other current liabilities	**718**	522	279
Change in income taxes payable	**(180)**	128	(295)
Other, net	**(367)**	(209)	(3)
Net Cash Provided by Operating Activities	**6,999**	6,934	6,084
Investing Activities			
Capital spending	**(2,446)**	(2,430)	(2,068)
Sales of property, plant and equipment	**98**	47	49
Proceeds from (Investment in) finance assets	**—**	27	(25)
Acquisitions and investments in noncontrolled affiliates	**(1,925)**	(1,320)	(522)
Cash restricted for pending acquisitions	**(40)**	—	—
Cash proceeds from sale of PBG and PAS stock	**358**	315	318
Divestitures	**6**	—	37
Short-term investments, by original maturity			
More than three months – purchases	**(156)**	(83)	(29)
More than three months – maturities	**62**	113	25
Three months or less, net	**1,376**	(413)	2,021
Net Cash Used for Investing Activities	**(2,667)**	(3,744)	(194)

(Continued on following page)

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Consolidated Statement of Cash Flows (continued)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006
(in millions)

	2008	2007	2006
Financing Activities			
Proceeds from issuances of long-term debt	**$ 3,719**	$ 2,168	$ 51
Payments of long-term debt	**(649)**	(579)	(157)
Short-term borrowings, by original maturity			
More than three months – proceeds	**89**	83	185
More than three months – payments	**(269)**	(133)	(358)
Three months or less, net	**625**	(345)	(2,168)
Cash dividends paid	**(2,541)**	(2,204)	(1,854)
Share repurchases – common	**(4,720)**	(4,300)	(3,000)
Share repurchases – preferred	**(6)**	(12)	(10)
Proceeds from exercises of stock options	**620**	1,108	1,194
Excess tax benefits from share-based payment arrangements	**107**	208	134
Net Cash Used for Financing Activities	**(3,025)**	(4,006)	(5,983)
Effect of exchange rate changes on cash and cash equivalents	**(153)**	75	28
Net Increase/(Decrease) in Cash and Cash Equivalents	**1,154**	(741)	(65)
Cash and Cash Equivalents, Beginning of Year	**910**	1,651	1,716
Cash and Cash Equivalents, End of Year	**$ 2,064**	$ 910	$ 1,651

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet
PepsiCo, Inc. and Subsidiaries
December 27, 2008 and December 29, 2007
(in millions except per share amounts)

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,064	$ 910
Short-term investments	213	1,571
Accounts and notes receivable, net	4,683	4,389
Inventories	2,522	2,290
Prepaid expenses and other current assets	1,324	991
Total Current Assets	10,806	10,151
Property, Plant and Equipment, net	11,663	11,228
Amortizable Intangible Assets, net	732	796
Goodwill	5,124	5,169
Other nonamortizable intangible assets	1,128	1,248
Nonamortizable Intangible Assets	6,252	6,417
Investments in Noncontrolled Affiliates	3,883	4,354
Other Assets	2,658	1,682
Total Assets	$ 35,994	$ 34,628
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term obligations	$ 369	$ —
Accounts payable and other current liabilities	8,273	7,602
Income taxes payable	145	151
Total Current Liabilities	8,787	7,753
Long-Term Debt Obligations	7,858	4,203
Other Liabilities	7,017	4,792
Deferred Income Taxes	226	646
Total Liabilities	23,888	17,394
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(138)	(132)
Common Shareholders' Equity		
Common stock, par value $1^{2}/_{3}$¢ per share (authorized 3,600 shares, issued 1,782 shares)	30	30
Capital in excess of par value	351	450
Retained earnings	30,638	28,184
Accumulated other comprehensive loss	(4,694)	(952)
Repurchased common stock, at cost (229 and 177 shares, respectively)	(14,122)	(10,387)
Total Common Shareholders' Equity	12,203	17,325
Total Liabilities and Shareholders' Equity	$ 35,994	$ 34,628

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Common Shareholders' Equity
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006
(in millions)

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common Stock	**1,782**	**$ 30**	1,782	$ 30	1,782	$ 30
Capital in Excess of Par Value						
Balance, beginning of year		**450**		584		614
Stock-based compensation expense		**238**		260		270
Stock option exercises/RSUs converted[(a)]		**(280)**		(347)		(300)
Withholding tax on RSUs converted		**(57)**		(47)		—
Balance, end of year		**351**		450		584
Retained Earnings						
Balance, beginning of year		**28,184**		24,837		21,116
Adoption of FIN 48				7		
SFAS 158 measurement date change		**(89)**				
Adjusted balance, beginning of year		**28,095**		24,844		
Net income		**5,142**		5,658		5,642
Cash dividends declared – common		**(2,589)**		(2,306)		(1,912)
Cash dividends declared – preferred		**(2)**		(2)		(1)
Cash dividends declared – RSUs		**(8)**		(10)		(8)
Balance, end of year		**30,638**		28,184		24,837
Accumulated Other Comprehensive Loss						
Balance, beginning of year		**(952)**		(2,246)		(1,053)
SFAS 158 measurement date change		**51**				
Adjusted balance, beginning of year		**(901)**				
Currency translation adjustment		**(2,484)**		719		465
Cash flow hedges, net of tax:						
Net derivative gains/(losses)		**16**		(60)		(18)
Reclassification of losses/(gains) to net income		**5**		21		(5)
Adoption of SFAS 158		**—**		—		(1,782)
Pension and retiree medical, net of tax:						
Net pension and retiree medical (losses)/ gains		**(1,376)**		464		—
Reclassification of net losses to net income		**73**		135		—
Minimum pension liability adjustment, net of tax		**—**		—		138
Unrealized (losses)/gain on securities, net of tax		**(21)**		9		9
Other		**(6)**		6		—
Balance, end of year		**(4,694)**		(952)		(2,246)
Repurchased Common Stock						
Balance, beginning of year	**(177)**	**(10,387)**	(144)	(7,758)	(126)	(6,387)
Share repurchases	**(68)**	**(4,720)**	(64)	(4,300)	(49)	(3,000)
Stock option exercises	**15**	**883**	28	1,582	31	1,619
Other, primarily RSUs converted	**1**	**102**	3	89	—	10
Balance, end of year	**(229)**	**(14,122)**	(177)	(10,387)	(144)	(7,758)
Total Common Shareholders' Equity		**$ 12,203**		$ 17,325		$15,447

	2008	2007	2006
Comprehensive Income			
Net income	**$ 5,142**	$ 5,658	$ 5,642
Currency translation adjustment	**(2,484)**	719	465
Cash flow hedges, net of tax	**21**	(39)	(23)
Minimum pension liability adjustment, net of tax	**—**	—	5
Pension and retiree medical, net of tax			
Net prior service cost	**55**	(105)	—
Net (losses)/gains	**(1,358)**	704	—
Unrealized (losses)/gains on securities, net of tax	**(21)**	9	9
Other	**(6)**	6	—
Total Comprehensive Income	**$ 1,349**	$ 6,952	$ 6,098

(a) Includes total tax benefits of $95 million in 2008, $216 million in 2007 and $130 million in 2006.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 — Basis of Presentation and Our Divisions

Basis of Presentation

Our financial statements include the consolidated accounts of PepsiCo, Inc. and the affiliates that we control. In addition, we include our share of the results of certain other affiliates based on our economic ownership interest. We do not control these other affiliates, as our ownership in these other affiliates is generally less than 50%. Equity income or loss from our anchor bottlers is recorded as bottling equity income in our income statement. Bottling equity income also includes any changes in our ownership interests of our anchor bottlers. Bottling equity income includes $147 million of pre-tax gains on our sales of PBG and PAS stock in 2008 and $174 million and $186 million of pre-tax gains on our sales of PBG stock in 2007 and 2006, respectively. See Note 8 for additional information on our significant noncontrolled bottling affiliates. Income or loss from other noncontrolled affiliates is recorded as a component of selling, general and administrative expenses. Intercompany balances and transactions are eliminated. Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years.

Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw material handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product are included in selling, general and administrative expenses.

The preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Estimates are used in determining, among other items, sales incentives accruals, tax reserves, stock-based compensation, pension and retiree medical accruals, useful lives for intangible assets, and future cash flows associated with impairment testing for perpetual brands, goodwill and other long-lived assets. We evaluate our estimates on an on-going basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effect cannot be determined with precision, actual results could differ significantly from these estimates.

See “Our Divisions” below and for additional unaudited information on items affecting the comparability of our consolidated results, see “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Certain reclassifications were made to prior years’ amounts to conform to the 2008 presentation.

Our Divisions

We manufacture or use contract manufacturers, market and sell a variety of salty, convenient, sweet and grain-based snacks, carbonated and non-carbonated beverages, and foods in approximately 200 countries with our largest operations in North America (United States and Canada), Mexico and the United Kingdom. Division results are based on how our Chief Executive Officer assesses the performance of and allocates resources to our divisions. For additional unaudited information on our divisions, see "Our Operations" in Management's Discussion and Analysis of Financial Condition and Results of Operations. The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

- stock-based compensation expense,
- pension and retiree medical expense, and
- derivatives.

Stock-Based Compensation Expense

Our divisions are held accountable for stock-based compensation expense and, therefore, this expense is allocated to our divisions as an incremental employee compensation cost. The allocation of stock-based compensation expense in 2008 was approximately 29% to FLNA, 4% to QFNA, 7% to LAF, 23% to PAB, 13% to UKEU, 13% to MEAA and 11% to corporate unallocated expenses. We had similar allocations of stock-based compensation expense to our divisions in 2007 and 2006. The expense allocated to our divisions excludes any impact of changes in our assumptions during the year which reflect market conditions over which division management has no control. Therefore, any variances between allocated expense and our actual expense are recognized in corporate unallocated expenses.

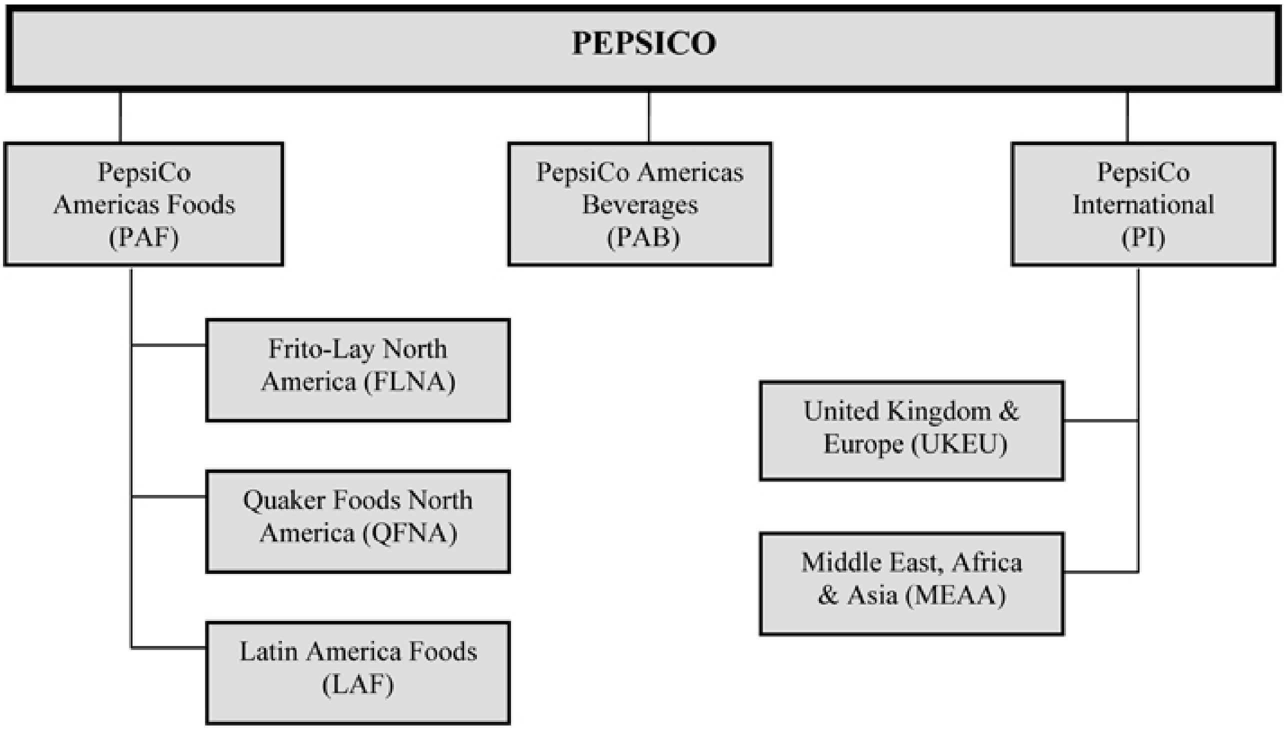
Pension and Retiree Medical Expense

Pension and retiree medical service costs measured at a fixed discount rate, as well as amortization of gains and losses due to demographics, including salary experience, are reflected in division results for North American employees. Division results also include interest costs, measured at a fixed discount rate, for retiree medical plans. Interest costs for the pension plans, pension asset returns and the impact of pension funding, and gains and losses other than those due to demographics, are all reflected in corporate unallocated expenses. In addition, corporate unallocated expenses include the difference between the service costs measured at a fixed discount rate (included in division results as noted above) and the total service costs determined using the Plans' discount rates as disclosed in Note 7.

Derivatives

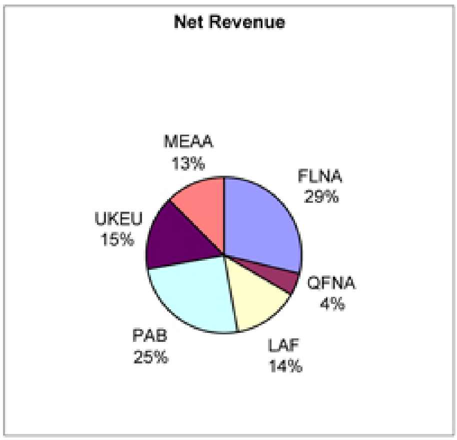
We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, fruit and other raw materials. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses reflected in corporate unallocated expenses. These derivatives hedge underlying commodity price risk and were not entered into for speculative purposes. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity. Therefore, division results reflect the contract purchase price of these commodities.

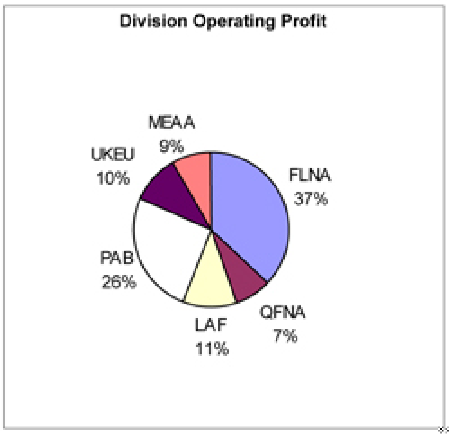
In 2007, we expanded our commodity hedging program to include derivative contracts used to mitigate our exposure to price changes associated with our purchases of fruit. In addition, in 2008, we entered into additional contracts to further reduce our exposure to price fluctuations in our raw material and energy costs. The majority of these contracts do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses within selling, general and administrative expenses. These gains and losses are subsequently reflected in divisional results.



	2008	2007	2006	2008	2007	2006
	Net Revenue			*Operating Profit*[(a)]		
FLNA	**$12,507**	$11,586	$10,844	**$2,959**	$2,845	$2,615
QFNA	**1,902**	1,860	1,769	**582**	568	554
LAF	**5,895**	4,872	3,972	**897**	714	655
PAB	**10,937**	11,090	10,362	**2,026**	2,487	2,315
UKEU	**6,435**	5,492	4,750	**811**	774	700
MEAA	**5,575**	4,574	3,440	**667**	535	401
Total division	**43,251**	39,474	35,137	**7,942**	7,923	7,240
Corporate – net impact of mark-to-market on commodity hedges	**—**	—	—	**(346)**	19	(18)
Corporate – other	**—**	—	—	**(661)**	(772)	(720)
	$43,251	$39,474	$35,137	**$6,935**	$7,170	$6,502

(a) For information on the impact of restructuring and impairment charges on our divisions, see Note 3.





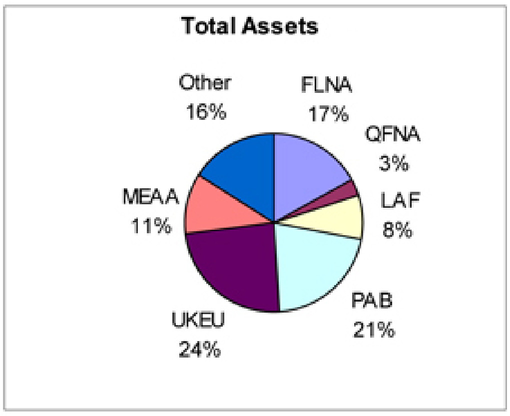
Corporate

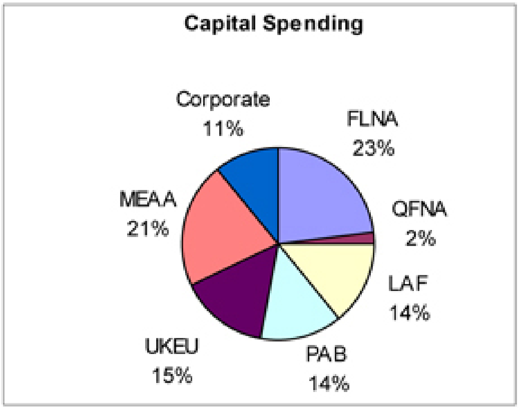
Corporate includes costs of our corporate headquarters, centrally managed initiatives, such as our ongoing business transformation initiative and research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, certain commodity derivative gains and losses, and certain other items.

Other Division Information

	2008	2007	2006	**2008**	2007	2006
		Total Assets			*Capital Spending*	
FLNA	**$ 6,284**	$ 6,270	$ 5,969	**$ 553**	$ 624	$ 499
QFNA	**1,035**	1,002	1,003	**43**	41	31
LAF	**3,023**	3,084	2,169	**351**	326	235
PAB	**7,673**	7,780	7,129	**344**	450	516
UKEU	**8,635**	7,102	5,865	**377**	349	277
MEAA	**3,961**	3,911	2,975	**503**	413	299
Total division	**30,611**	29,149	25,110	**2,171**	2,203	1,857
Corporate [(a)]	**2,729**	2,124	1,739	**275**	227	211
Investments in bottling affiliates	**2,654**	3,355	3,081	**—**	—	—
	$35,994	$34,628	$29,930	**$2,446**	$2,430	$2,068

(a) Corporate assets consist principally of cash and cash equivalents, short-term investments, derivative instruments and property, plant and equipment.



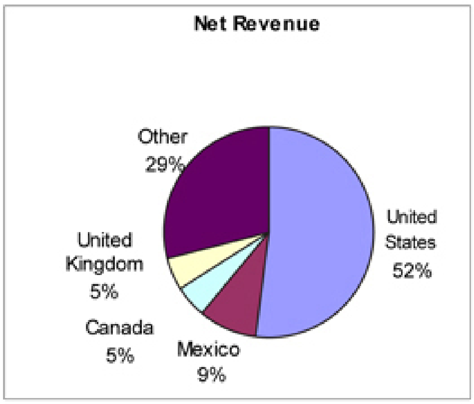


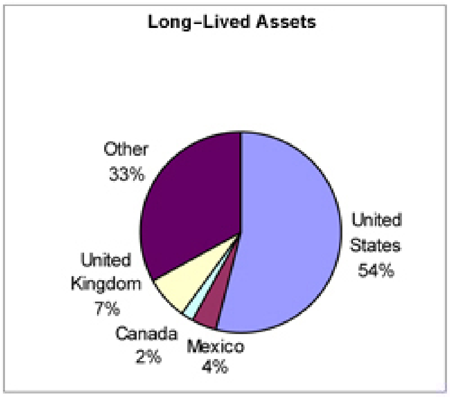
	2008	2007	2006	2008	2007	2006
	Amortization of Intangible Assets			*Depreciation and Other Amortization*		
FLNA	**$ 9**	$ 9	$ 9	**$ 441**	$ 437	$ 432
QFNA	**—**	—	—	**34**	34	33
LAF	**6**	4	1	**194**	166	140
PAB	**16**	16	83	**334**	321	298
UKEU	**22**	18	17	**199**	181	167
MEAA	**11**	11	52	**224**	198	155
Total division	**64**	58	162	**1,426**	1,337	1,225
Corporate	**—**	—	—	**53**	31	19
	$ 64	$ 58	$ 162	**$ 1,479**	$ 1,368	$ 1,244

	2008	2007	2006	2008	2007	2006
	Net Revenue[(a)]			*Long-Lived Assets[(b)]*		
U.S.	**$22,525**	$21,978	$20,788	**$12,095**	$12,498	$11,515
Mexico	**3,714**	3,498	3,228	**904**	1,067	996
Canada	**2,107**	1,961	1,702	**556**	699	589
United Kingdom	**2,099**	1,987	1,839	**1,509**	2,090	1,995
All other countries	**12,806**	10,050	7,580	**7,466**	6,441	4,725
	$43,251	$39,474	$35,137	**$22,530**	$22,795	$19,820

(a) Represents net revenue from businesses operating in these countries.

(b) Long-lived assets represent property, plant and equipment, nonamortizable intangible assets, amortizable intangible assets, and investments in noncontrolled affiliates. These assets are reported in the country where they are primarily used.





Note 2 — Our Significant Accounting Policies

Revenue Recognition

We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that our consumers receive the product quality and freshness that they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. For additional unaudited information on our revenue recognition and related policies, including our policy on bad debts, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations. We are exposed to concentration of credit risk by our customers, Wal-Mart and PBG. In 2008, Wal-Mart (including Sam's) represented approximately 12% of our total net revenue, including concentrate sales to our bottlers which are used in finished goods sold by them to Wal-Mart; and PBG represented approximately 8%. We have not experienced credit issues with these customers.

Sales Incentives and Other Marketplace Spending

We offer sales incentives and discounts through various programs to our customers and consumers. Sales incentives and discounts are accounted for as a reduction of revenue and totaled $12.5 billion in 2008, $11.3 billion in 2007 and $10.1 billion in 2006. While most of these incentive arrangements have terms of no more than one year, certain arrangements, such as fountain pouring rights, may extend beyond one year. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $333 million at December 27, 2008 and $314 million at December 29, 2007 are included in current assets and other assets on our balance sheet. For additional unaudited information on our sales incentives, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Other marketplace spending, which includes the costs of advertising and other marketing activities, totaled $2.9 billion in 2008, $2.9 billion in 2007 and $2.7 billion in 2006 and is reported as selling, general and administrative expenses. Included in these amounts were advertising expenses of $1.8 billion in both 2008 and 2007 and $1.6 billion in 2006. Deferred advertising costs are not expensed until the year first used and consist of:

- media and personal service prepayments,
- promotional materials in inventory, and
- production costs of future media advertising.

Deferred advertising costs of $172 million and $160 million at year-end 2008 and 2007, respectively, are classified as prepaid expenses on our balance sheet.

Distribution Costs

Distribution costs, including the costs of shipping and handling activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were $5.3 billion in 2008, $5.1 billion in 2007 and $4.6 billion in 2006.

Cash Equivalents

Cash equivalents are investments with original maturities of three months or less which we do not intend to rollover beyond three months.

Software Costs

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximate five to ten years. Net capitalized software and development costs were $940 million at December 27, 2008 and $761 million at December 29, 2007.

Commitments and Contingencies

We are subject to various claims and contingencies related to lawsuits, certain taxes and environmental matters, as well as commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments when a loss is probable and estimable. For additional information on our commitments, see Note 9.

Research and Development

We engage in a variety of research and development activities. These activities principally involve the development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $388 million in 2008, $364 million in 2007 and $282 million in 2006 and are reported within selling, general and administrative expenses.

Other Significant Accounting Policies

Our other significant accounting policies are disclosed as follows:

- *Property, Plant and Equipment and Intangible Assets* – Note 4, and for additional unaudited information on brands and goodwill, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Income Taxes* – Note 5, and for additional unaudited information, see "Our Critical Accounting Policies " in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Stock-Based Compensation* – Note 6.
- *Pension, Retiree Medical and Savings Plans* – Note 7, and for additional unaudited information, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.
- *Financial Instruments* – Note 10, and for additional unaudited information, see "Our Business Risks " in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS 159 which permits entities to choose to measure many financial instruments and certain other items at fair value. We adopted SFAS 159 as of the beginning of our 2008 fiscal year and our adoption did not impact our financial statements.

In December 2007, the FASB issued SFAS 141R, to improve, simplify and converge internationally the accounting for business combinations. SFAS 141R continues the movement toward the greater use of fair value in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. The provisions of SFAS 141R are effective as of the beginning of our 2009 fiscal year, with the exception of adjustments made to valuation allowances on deferred taxes and acquired tax contingencies. Adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the beginning of our 2009 fiscal year would apply the provisions of SFAS 141R. Future adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the beginning of our 2009 fiscal year would apply the provisions of SFAS 141R and will be evaluated based on the outcome of these matters. We do not expect the adoption of SFAS 141R to have a material impact on our financial statements.

In December 2007, the FASB issued SFAS 160. SFAS 160 amends ARB 51 to establish new standards that will govern the accounting for and reporting of (1) noncontrolling interests in partially owned consolidated subsidiaries and (2) the loss of control of subsidiaries. The provisions of SFAS 160 are effective as of the beginning of our 2009 fiscal year on a prospective basis. We do not expect our adoption of SFAS 160 to have a significant impact on our financial statements. In the first quarter of 2009, we will include the required disclosures for all periods presented.

In March 2008, the FASB issued SFAS 161 which amends and expands the disclosure requirements of SFAS 133 to provide an enhanced understanding of the use of derivative instruments, how they are accounted for under SFAS 133 and their effect on financial position, financial performance and cash flows. The disclosure provisions of SFAS 161 are effective as of the beginning of our 2009 fiscal year.

Note 3 – Restructuring and Impairment Charges

2008 Restructuring and Impairment Charge

In 2008, we incurred a charge of $543 million ($408 million after-tax or $0.25 per share) in conjunction with our Productivity for Growth program. The program includes actions in all divisions of the business that we believe will increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. Approximately $455 of the charge was recorded in selling, general and administrative expenses, with the remainder recorded in cost of sales. Substantially all cash payments related to this charge are expected to be paid by the end of 2009.

A summary of the restructuring and impairment charge is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	$ 48	$ 38	$ 22	$108
QFNA	14	3	14	31
LAF	30	8	2	40
PAB	68	92	129	289
UKEU	39	6	5	50
MEAA	11	2	2	15
Corporate	2	—	8	10
	$ 212	$ 149	$ 182	$543

Severance and other employee costs primarily reflect termination costs for approximately 3,500 employees. Asset impairments relate to the closure of 6 plants and changes to our beverage product portfolio. Other costs include contract exit costs and third-party incremental costs associated with upgrading our product portfolio and our supply chain.

A summary of our Productivity for Growth program activity is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
2008 restructuring and impairment charge	$ 212	$ 149	$ 182	$ 543
Cash payments	(50)	—	(109)	(159)
Non-cash charge	(27)	(149)	(9)	(185)
Currency translation	(1)	—	—	(1)
Liability at December 27, 2008	$ 134	$ —	$ 64	$ 198

2007 Restructuring and Impairment Charge

In 2007, we incurred a charge of $102 million ($70 million after-tax or $0.04 per share) in conjunction with restructuring actions primarily to close certain plants and rationalize other production lines across FLNA, LAF, PAB, UKEU and MEAA. The charge was recorded in selling, general and administrative expenses. All cash payments related to this charge were paid by the end of 2008.

A summary of the restructuring and impairment charge is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	$ —	$ 19	$ 9	$ 28
LAF	14	25	—	39
PAB	12	—	—	12
UKEU	2	4	3	9
MEAA	5	9	—	14
	$ 33	$ 57	$ 12	$102

Severance and other employee costs primarily reflect termination costs for approximately 1,100 employees.

2006 Restructuring and Impairment Charge

In 2006, we incurred a charge of $67 million ($43 million after-tax or $0.03 per share) in conjunction with consolidating the manufacturing network at FLNA by closing two plants in the U.S., and rationalizing other assets, to increase manufacturing productivity and supply chain efficiencies. The charge was comprised of $43 million of asset impairments, $14 million of severance and other employee costs and $10 million of other costs. Severance and other employee costs primarily reflect the termination costs for approximately 380 employees. All cash payments related to this charge were paid by the end of 2007.

Note 4 — Property, Plant and Equipment and Intangible Assets

	Average Useful Life	**2008**	2007	2006
Property, plant and equipment, net				
Land and improvements	10 – 34 yrs.	**$ 868**	$ 864	
Buildings and improvements	20 – 44	**4,738**	4,577	
Machinery and equipment, including fleet and software	5 – 14	**15,173**	14,471	
Construction in progress		**1,773**	1,984	
		22,552	21,896	
Accumulated depreciation		**(10,889)**	(10,668)	
		$ 11,663	$ 11,228	
Depreciation expense		**$ 1,422**	$ 1,304	$1,182
Amortizable intangible assets, net				
Brands	5 – 40	**$ 1,411**	$ 1,476	
Other identifiable intangibles	10 – 24	**360**	344	
		1,771	1,820	
Accumulated amortization		**(1,039)**	(1,024)	
		$ 732	$ 796	
Amortization expense		**$ 64**	$ 58	$ 162

Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over an asset's estimated useful life. Land is not depreciated and construction in progress is not depreciated until ready for service. Amortization of intangible assets for each of the next five years, based on average 2008 foreign exchange rates, is expected to be $64 million in 2009, $63 million in 2010, $62 million in 2011, $60 million in 2012 and $56 million in 2013.

Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on discounted future cash flows. Useful lives are periodically evaluated to determine whether events or circumstances have occurred which indicate the need for revision. For additional unaudited information on our amortizable brand policies, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Nonamortizable Intangible Assets

Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. No impairment charges resulted from the required impairment evaluations. The change in the book value of nonamortizable intangible assets is as follows:

	Balance, Beginning 2007	Acquisitions	Translation and Other	Balance, End of 2007	Acquisitions	Translation and Other	**Balance, End of 2008**
FLNA							
Goodwill	$ 284	$ —	$ 27	$ 311	$ —	$ (34)	**$ 277**
QFNA							
Goodwill	175	—	—	175	—	—	**175**
LAF							
Goodwill	144	—	3	147	338	(61)	**424**
Brands	22	—	—	22	118	(13)	**127**
	166	—	3	169	456	(74)	**551**
PAB							
Goodwill	2,203	146	20	2,369	—	(14)	**2,355**
Brands	59	—	—	59	—	—	**59**
	2,262	146	20	2,428	—	(14)	**2,414**
UKEU							
Goodwill	1,412	122	92	1,626	45	(215)	**1,456**
Brands	1,018	—	23	1,041	14	(211)	**844**
	2,430	122	115	2,667	59	(426)	**2,300**
MEAA							
Goodwill	376	114	51	541	1	(105)	**437**
Brands	113	—	13	126	—	(28)	**98**
	489	114	64	667	1	(133)	**535**
Total goodwill	4,594	382	193	5,169	384	(429)	**5,124**
Total brands	1,212	—	36	1,248	132	(252)	**1,128**
	$ 5,806	$ 382	$ 229	$ 6,417	$ 516	$ (681)	**$ 6,252**

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Note 5 — Income Taxes

		2008	2007	2006
Income before income taxes				
U.S.		**$3,274**	$4,085	$3,844
Foreign		**3,747**	3,546	3,145
		$7,021	$7,631	$6,989
Provision for income taxes				
Current:	U.S. Federal	**$ 815**	$1,422	$ 776
	Foreign	**732**	489	569
	State	**87**	104	56
		1,634	2,015	1,401
Deferred:	U.S. Federal	**313**	22	(31)
	Foreign	**(69)**	(66)	(16)
	State	**1**	2	(7)
		245	(42)	(54)
		$1,879	$1,973	$1,347
Tax rate reconciliation				
U.S. Federal statutory tax rate		**35.0%**	35.0%	35.0%
State income tax, net of U.S. Federal tax benefit		**0.8**	0.9	0.5
Lower taxes on foreign results		**(7.9)**	(6.5)	(6.5)
Tax settlements		**—**	(1.7)	(8.6)
Other, net		**(1.1)**	(1.8)	(1.1)
Annual tax rate		**26.8%**	25.9%	19.3%
Deferred tax liabilities				
Investments in noncontrolled affiliates		**$1,193**	$1,163	
Property, plant and equipment		**881**	828	
Intangible assets other than nondeductible goodwill		**295**	280	
Pension benefits		**—**	148	
Other		**73**	136	
Gross deferred tax liabilities		**2,442**	2,555	
Deferred tax assets				
Net carryforwards		**682**	722	
Stock-based compensation		**410**	425	
Retiree medical benefits		**495**	528	
Other employee-related benefits		**428**	447	
Pension benefits		**345**	—	
Deductible state tax and interest benefits		**230**	189	
Other		**677**	618	
Gross deferred tax assets		**3,267**	2,929	
Valuation allowances		**(657)**	(695)	
Deferred tax assets, net		**2,610**	2,234	
Net deferred tax (assets)/liabilities		**$ (168)**	$ 321	

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	2008	2007	2006
Deferred taxes included within:			
Assets:			
Prepaid expenses and other current assets	**$372**	$325	$223
Other assets	**$ 22**	—	—
Liabilities:			
Deferred income taxes	**$226**	$646	$528
Analysis of valuation allowances			
Balance, beginning of year	**$695**	$624	$532
(Benefit)/provision	**(5)**	39	71
Other (deductions)/additions	**(33)**	32	21
Balance, end of year	**$657**	$695	$624

For additional unaudited information on our income tax policies, including our reserves for income taxes, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

In 2007, we recognized $129 million of non-cash tax benefits related to the favorable resolution of certain foreign tax matters. In 2006, we recognized non-cash tax benefits of $602 million, substantially all of which related to the IRS's examination of our consolidated income tax returns for the years 1998 through 2002.

Reserves

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions and the related open tax audits are as follows:

- U.S. – continue to dispute one matter related to tax years 1998 through 2002. Our U.S. tax returns for the years 2003 through 2005 are currently under audit. In 2008, the IRS initiated its audit of our U.S. tax returns for the years 2006 through 2007;
- Mexico – audits have been substantially completed for all taxable years through 2005;
- United Kingdom – audits have been completed for all taxable years prior to 2004; and
- Canada – audits have been completed for all taxable years through 2005. We are in agreement with the conclusions, except for one matter which we continue to dispute. The Canadian tax return for 2006 is currently under audit.

While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular issue would usually require the use of cash. Favorable resolution would be recognized as a reduction to our annual tax rate in the year of resolution.

For further unaudited information on the impact of the resolution of open tax issues, see "Other Consolidated Results."

In 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,* (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We adopted the provisions of FIN 48 as of the beginning of our 2007 fiscal year.

As of December 27, 2008, the total gross amount of reserves for income taxes, reported in other liabilities, was $1.7 billion. Any prospective adjustments to these reserves will be recorded as an increase or decrease to our provision for income taxes and would impact our effective tax rate. In addition, we accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was $427 million as of December 27, 2008, of which $95 million was recognized in 2008. The gross amount of interest accrued was $338 million as of December 29, 2007, of which $34 million was recognized in 2007.

A rollforward of our reserves for all federal, state and foreign tax jurisdictions, is as follows:

	2008	2007
Balance, beginning of year	$1,461	$1,435
FIN 48 adoption adjustment to retained earnings	—	(7)
Reclassification of deductible state tax and interest benefits to other balance sheet accounts	—	(144)
Adjusted balance, beginning of year	1,461	1,284
Additions for tax positions related to the current year	272	264
Additions for tax positions from prior years	76	151
Reductions for tax positions from prior years	(14)	(73)
Settlement payments	(30)	(174)
Statute of limitations expiration	(20)	(7)
Translation and other	(34)	16
Balance, end of year	$1,711	$1,461

Carryforwards and Allowances

Operating loss carryforwards totaling $7.2 billion at year-end 2008 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: $0.3 billion in 2009, $6.2 billion between 2010 and 2028 and $0.7 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Undistributed International Earnings

At December 27, 2008, we had approximately $17.1 billion of undistributed international earnings. We intend to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings.

Note 6 — Stock-Based Compensation

Our stock-based compensation program is a broad-based program designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. A majority of our employees participate in our stock-based compensation program. This program includes both our broad-based SharePower program which was established in 1989 to grant an annual award of stock options to eligible employees, based upon job level or classification and tenure (internationally), as well as our executive long-term awards program. Stock options and restricted stock units (RSU) are granted to employees under the shareholder-approved 2007 Long-Term Incentive Plan (LTIP), our only active stock-based plan. Stock-based compensation expense was $238 million in 2008, $260 million in 2007 and $270 million in 2006. Related income tax benefits recognized in earnings were $71 million in 2008, $77 million in 2007 and $80 million in 2006. Stock-based compensation cost capitalized in connection with our ongoing business transformation initiative was $4 million in 2008, $3 million in 2007 and $3 million in 2006. At year-end 2008, 57 million shares were available for future stock-based compensation grants.

Method of Accounting and Our Assumptions

We account for our employee stock options, which include grants under our executive program and our broad-based SharePower program, under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term. We do not backdate, reprice or grant stock-based compensation awards retroactively. Repricing of awards would require shareholder approval under the LTIP.

The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Executives who are awarded long-term incentives based on their performance are offered the choice of stock options or RSUs. Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Senior officers do not have a choice and are granted 50% stock options and 50% performance-based RSUs. Vesting of RSU awards for senior officers is contingent upon the achievement of pre-established performance targets approved by the Compensation Committee of the Board of Directors. RSU expense is based on the fair value of PepsiCo stock on the date of grant and is amortized over the vesting period, generally three years. Each RSU is settled in a share of our stock after the vesting period.

Our weighted-average Black-Scholes fair value assumptions are as follows:

	2008	2007	2006
Expected life	**6 yrs.**	6 yrs.	6 yrs.
Risk free interest rate	**3.0%**	4.8%	4.5%
Expected volatility	**16%**	15%	18%
Expected dividend yield	**1.9%**	1.9%	1.9%

The expected life is the period over which our employee groups are expected to hold their options. It is based on our historical experience with similar grants. The risk free interest rate is based on the expected U.S. Treasury rate over the expected life. Volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on our stated dividend policy and forecasts of net income, share repurchases and stock price.

A summary of our stock-based compensation activity for the year ended December 27, 2008 is presented below:

Our Stock Option Activity

	Options[(a)]	Average Price[(b)]	Average Life (years)[(c)]	Aggregate Intrinsic Value[(d)]
Outstanding at December 29, 2007	108,808	$ 47.47		
Granted	12,512	68.74		
Exercised	(14,651)	42.19		
Forfeited/expired	(2,997)	60.13		
Outstanding at December 27, 2008	103,672	$ 50.42	4.93	$ 736,438
Exercisable at December 27, 2008	61,085	$ 43.41	3.16	$ 683,983

(a) Options are in thousands and include options previously granted under Quaker plans. No additional options or shares may be granted under the Quaker plans.

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

(d) In thousands.

Our RSU Activity

	RSUs[(a)]	Average Intrinsic Value[(b)]	Average Life (years)[(c)]	Aggregate Intrinsic Value[(d)]
Outstanding at December 29, 2007	7,370	$ 58.63		
Granted	2,135	68.73		
Converted	(2,500)	54.59		
Forfeited/expired	(854)	62.90		
Outstanding at December 27, 2008	6,151	$ 63.18	1.20	$ 335,583

(a) RSUs are in thousands.

(b) Weighted-average intrinsic value at grant date.

(c) Weighted-average contractual life remaining.

(d) In thousands.

Other Stock-Based Compensation Data

	2008	2007	2006
Stock Options			
Weighted-average fair value of options granted	**$ 11.24**	$ 13.56	$ 12.81
Total intrinsic value of options exercised[(a)]	**$410,152**	$826,913	$686,242
RSUs			
Total number of RSUs granted[(a)]	**2,135**	2,342	2,992
Weighted-average intrinsic value of RSUs granted	**$ 68.73**	$ 65.21	$ 58.22
Total intrinsic value of RSUs converted[(a)]	**$180,563**	$125,514	$ 10,934

(a) In thousands.

At December 27, 2008, there was $243 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation is expected to be recognized over a weighted-average period of 1.7 years.

Note 7 — Pension, Retiree Medical and Savings Plans

Our pension plans cover full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the costs.

Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, and from changes in our assumptions are also determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants, which is approximately 10 years for pension expense and approximately 12 years for retiree medical expense.

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On December 30, 2006, we adopted SFAS 158. In connection with our adoption, we recognized the funded status of our Plans on our balance sheet as of December 30, 2006 with subsequent changes in the funded status recognized in comprehensive income in the years in which they occur. In accordance with SFAS 158, amounts prior to the year of adoption have not been adjusted. SFAS 158 also required that, no later than 2008, our assumptions used to measure our annual pension and retiree medical expense be determined as of the balance sheet date, and all plan assets and liabilities be reported as of that date. Accordingly, as of the beginning of our 2008 fiscal year, we changed the measurement date for our annual pension and retiree medical expense and all plan assets and liabilities from September 30 to our year-end balance sheet date. As a result of this change in measurement date, we recorded an after-tax $39 million decrease to 2008 opening shareholders' equity, as follows:

	Pension	Retiree Medical	Total
Retained earnings	$ (63)	$ (20)	$ (83)
Accumulated other comprehensive loss	12	32	44
Total	$ (51)	$ 12	$ (39)

Selected financial information for our pension and retiree medical plans is as follows:

	Pension				Retiree Medical	
	2008	2007	**2008**	2007	**2008**	2007
	U.S.		International			
Change in projected benefit liability						
Liability at beginning of year	**$ 6,048**	$5,947	**$1,595**	$1,511	**$ 1,354**	$ 1,370
SFAS 158 measurement date change	**(199)**	—	**113**	—	**(37)**	—
Service cost	**244**	244	**61**	59	**45**	48
Interest cost	**371**	338	**88**	81	**82**	77
Plan amendments	**(20)**	147	**2**	4	**(47)**	—
Participant contributions	**—**	—	**17**	14	**—**	—
Experience loss/(gain)	**28**	(309)	**(165)**	(155)	**58**	(80)
Benefit payments	**(277)**	(319)	**(51)**	(46)	**(70)**	(77)
Settlement/curtailment loss	**(9)**	—	**(15)**	—	**(2)**	—
Special termination benefits	**31**	—	**2**	—	**3**	—
Foreign currency adjustment	**—**	—	**(376)**	96	**(10)**	9
Other	**—**	—	**(1)**	31	**(6)**	7
Liability at end of year	**$ 6,217**	$6,048	**$1,270**	$1,595	**$ 1,370**	$ 1,354
Change in fair value of plan assets						
Fair value at beginning of year	**$ 5,782**	$5,378	**$1,595**	$1,330	**$ —**	$ —
SFAS 158 measurement date change	**(136)**	—	**97**	—	**—**	—
Actual return on plan assets	**(1,434)**	654	**(241)**	122	**—**	—
Employer contributions/funding	**48**	69	**101**	58	**70**	77
Participant contributions	**—**	—	**17**	14	**—**	—
Benefit payments	**(277)**	(319)	**(51)**	(46)	**(70)**	(77)
Settlement/curtailment loss	**(9)**	—	**(11)**	—	**—**	—
Foreign currency adjustment	**—**	—	**(341)**	91	**—**	—
Other	**—**	—	**(1)**	26	**—**	—
Fair value at end of year	**$ 3,974**	$5,782	**$1,165**	$1,595	**$ —**	$ —

	Pension				Retiree Medical	
	2008	2007	**2008**	2007	**2008**	2007
	U.S.		**International**			
Reconciliation of funded status						
Funded status	**$(2,243)**	$ (266)	**$ (105)**	$ —	**$(1,370)**	$(1,354)
Adjustment for fourth quarter contributions	**—**	15	**—**	107	**—**	19
Adjustment for fourth quarter special termination benefits	**—**	(5)	**—**	—	**—**	—
Net amount recognized	**$(2,243)**	$ (256)	**$ (105)**	$ 107	**$(1,370)**	$(1,335)
Amounts recognized						
Other assets	**$ —**	$ 440	**$ 28**	$ 187	**$ —**	$ —
Other current liabilities	**(60)**	(24)	**(1)**	(3)	**(102)**	(88)
Other liabilities	**(2,183)**	(672)	**(132)**	(77)	**(1,268)**	(1,247)
Net amount recognized	**$(2,243)**	$ (256)	**$ (105)**	$ 107	**$(1,370)**	$(1,335)
Amounts included in accumulated other comprehensive loss/(credit) (pre-tax)						
Net loss	**$ 2,826**	$1,136	**$ 421**	$ 287	**$ 266**	$ 276
Prior service cost/(credit)	**112**	156	**20**	28	**(119)**	(88)
Total	**$ 2,938**	$1,292	**$ 441**	$ 315	**$ 147**	$ 188
Components of the increase/(decrease) in net loss						
SFAS 158 measurement date change	**$ (130)**	$ —	**$ 105**	$ —	**$ (53)**	$ —
Change in discount rate	**247**	(292)	**(219)**	(224)	**36**	(50)
Employee-related assumption changes	**(194)**	—	**52**	61	**6**	(9)
Liability-related experience different from assumptions	**(25)**	(17)	**(4)**	7	**10**	(21)
Actual asset return different from expected return	**1,850**	(255)	**354**	(25)	**—**	—
Amortization of losses	**(58)**	(136)	**(19)**	(30)	**(8)**	(18)
Other, including foreign currency adjustments and 2003 Medicare Act	**—**	—	**(135)**	23	**(1)**	10
Total	**$ 1,690**	$ (700)	**$ 134**	$ (188)	**$ (10)**	$ (88)
Liability at end of year for service to date	**$ 5,413**	$5,026	**$1,013**	$1,324		

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Components of benefit expense are as follows:

	Pension						Retiree Medical		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
	U.S.			International					
Components of benefit expense									
Service cost	**$ 244**	$ 244	$ 245	**$ 61**	$ 59	$ 52	**$ 45**	$ 48	$ 46
Interest cost	**371**	338	319	**88**	81	68	**82**	77	72
Expected return on plan assets	**(416)**	(399)	(391)	**(112)**	(97)	(81)	**—**	—	—
Amortization of prior service cost/(credit)	**19**	5	3	**3**	3	2	**(13)**	(13)	(13)
Amortization of net loss	**55**	136	164	**19**	30	29	**7**	18	21
	273	324	340	**59**	76	70	**121**	130	126
Settlement/curtailment loss	**3**	—	3	**3**	—	—	**—**	—	—
Special termination benefits	**31**	5	4	**2**	—	—	**3**	—	1
Total	**$ 307**	$ 329	$ 347	**$ 64**	$ 76	$ 70	**$124**	$130	$127

The estimated amounts to be amortized from accumulated other comprehensive loss into benefit expense in 2009 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss	$ 98	$ 10	$ 11
Prior service cost/(credit)	11	2	(17)
Total	$109	$ 12	$ (6)

The following table provides the weighted-average assumptions used to determine projected benefit liability and benefit expense for our pension and retiree medical plans:

	Pension						Retiree Medical		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006
	U.S.			International					
Weighted average assumptions									
Liability discount rate	**6.2%**	6.2%	5.8%	**6.3%**	5.8%	5.2%	**6.2%**	6.1%	5.8%
Expense discount rate	**6.5%**	5.8%	5.7%	**5.6%**	5.2%	5.1%	**6.5%**	5.8%	5.7%
Expected return on plan assets	**7.8%**	7.8%	7.8%	**7.2%**	7.3%	7.3%			
Rate of salary increases	**4.6%**	4.7%	4.5%	**3.9%**	3.9%	3.9%			

The following table provides selected information about plans with liability for service to date and total benefit liability in excess of plan assets:

	Pension				Retiree Medical	
	2008	2007	**2008**	2007	**2008**	2007
	U.S.		International			
Selected information for plans with liability for service to date in excess of plan assets						
Liability for service to date	**$(5,411)**	$(364)	**$ (49)**	$ (72)		
Fair value of plan assets	**$ 3,971**	$ —	**$ 30**	$ 13		
Selected information for plans with benefit liability in excess of plan assets						
Benefit liability	**$(6,217)**	$(707)	**$(1,049)**	$(384)	**$(1,370)**	$(1,354)
Fair value of plan assets	**$ 3,974**	$ —	**$ 916**	$ 278		

Of the total projected pension benefit liability at year-end 2008, $587 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

Future Benefit Payments and Funding

Our estimated future benefit payments are as follows:

	2009	2010	2011	2012	2013	2014-18
Pension	$350	$335	$370	$400	$425	$ 2,645
Retiree medical[(a)]	$110	$115	$120	$125	$130	$ 580

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately $10 million for each of the years from 2009 through 2013 and approximately $70 million in total for 2014 through 2018.

These future benefits to beneficiaries include payments from both funded and unfunded pension plans.

In 2009, we will make pension contributions of up to $1.1 billion, with up to $1 billion being discretionary. Our net cash payments for retiree medical are estimated to be approximately $100 million in 2009.

Pension Assets

Our pension plan investment strategy includes the use of actively-managed securities and is reviewed annually based upon plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in high-quality and diversified equity and debt securities to achieve our long-term return expectations. We employ certain equity strategies which, in addition to investments in U.S. and international common and preferred stock, include investments in certain equity- and debt-based securities used collectively to generate returns in excess of certain equity-based indices. Debt based securities represent approximately 3% and 30% of our equity strategy portfolio as of year-end 2008 and 2007, respectively. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.8%, reflecting estimated long-term rates of return of 8.9% from our equity strategies, and 6.3% from our fixed income strategies. Our target investment allocation is 60% for equity strategies and 40% for fixed income strategies. Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations. Our actual pension plan asset allocations are as follows:

	Actual Allocation	
Asset Category	**2008**	2007
Equity strategies	**38%**	61%
Fixed income strategies	**61%**	38%
Other, primarily cash	**1%**	1%
Total	**100%**	100%

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. To calculate the expected return on pension plan assets, we use a market-related valuation method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) for securities included in our equity strategies over a five-year period. This has the effect of reducing year-to-year volatility. For all other asset categories, the actual fair value is used for the market-related value of assets.

Pension assets include 5.5 million shares of PepsiCo common stock with a market value of $302 million in 2008, and 5.5 million shares with a market value of $401 million in 2007. Our investment policy limits the investment in PepsiCo stock at the time of investment to 10% of the fair value of plan assets.

Retiree Medical Cost Trend Rates

An average increase of 8.0% in the cost of covered retiree medical benefits is assumed for 2009. This average increase is then projected to decline gradually to 5% in 2014 and thereafter. These assumed health care cost trend rates have an impact on the retiree medical plan expense and liability. However, the cap on our share of retiree medical costs limits the impact. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2008 service and interest cost components	$ 6	$ (5)
2008 benefit liability	$ 33	$ (29)

Savings Plan

Our U.S. employees are eligible to participate in 401(k) savings plans, which are voluntary defined contribution plans. The plans are designed to help employees accumulate additional savings for retirement. We make matching contributions on a portion of eligible pay based on years of service. In 2008 and 2007, our matching contributions were $70 million and $62 million, respectively.

For additional unaudited information on our pension and retiree medical plans and related accounting policies and assumptions, see "Our Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Note 8 — Noncontrolled Bottling Affiliates

Our most significant noncontrolled bottling affiliates are PBG and PAS. Sales to PBG reflected approximately 8%, 9% and 10% of our total net revenue in 2008, 2007 and 2006, respectively.

The Pepsi Bottling Group

In addition to approximately 33% and 35% of PBG's outstanding common stock that we owned at year-end 2008 and 2007, respectively, we owned 100% of PBG's class B common stock and approximately 7% of the equity of Bottling Group, LLC, PBG's principal operating subsidiary.

PBG's summarized financial information is as follows:

	2008	2007	2006
Current assets	**$ 3,141**	$ 3,086	
Noncurrent assets	**9,841**	10,029	
Total assets	**$12,982**	$13,115	
Current liabilities	**$ 3,083**	$ 2,215	
Noncurrent liabilities	**7,408**	7,312	
Minority interest	**1,148**	973	
Total liabilities	**$11,639**	$10,500	
Our investment	**$ 1,457**	$ 2,022	
Net revenue	**$13,796**	$13,591	$12,730
Gross profit	**$ 6,210**	$ 6,221	$ 5,830
Operating profit	**$ 649**	$ 1,071	$ 1,017
Net income	**$ 162**	$ 532	$ 522

Our investment in PBG, which includes the related goodwill, was $536 million and $507 million higher than our ownership interest in their net assets at year-end 2008 and 2007, respectively. Based upon the quoted closing price of PBG shares at year-end 2008, the calculated market value of our shares in PBG exceeded our investment balance, excluding our investment in Bottling Group, LLC, by approximately $567 million.

Additionally, in 2007, we formed a joint venture with PBG, comprising our concentrate and PBG's bottling businesses in Russia. PBG holds a 60% majority interest in the joint venture and consolidates the entity. We account for our interest of 40% under the equity method of accounting.

During 2008, together with PBG, we jointly acquired Russia's leading branded juice company, Lebedyansky. Lebedyansky is owned 25% and 75% by PBG and us, respectively. See Note 14 for further information on this acquisition.

PepsiAmericas

At year-end 2008 and 2007, we owned approximately 43% and 44%, respectively, of the outstanding common stock of PAS.

PAS summarized financial information is as follows:

	2008	2007	2006
Current assets	**$ 906**	$ 922	
Noncurrent assets	**4,148**	4,386	
Total assets	**$5,054**	$5,308	
Current liabilities	**$1,048**	$ 903	
Noncurrent liabilities	**2,175**	2,274	
Minority interest	**307**	273	
Total liabilities	**$3,530**	$3,450	
Our investment	**$ 972**	$1,118	
Net revenue	**$4,937**	$4,480	$3,972
Gross profit	**$1,982**	$1,823	$1,608
Operating profit	**$ 473**	$ 436	$ 356
Net income	**$ 226**	$ 212	$ 158

Our investment in PAS, which includes the related goodwill, was $318 million and $303 million higher than our ownership interest in their net assets at year-end 2008 and 2007, respectively. Based upon the quoted closing price of PAS shares at year-end 2008, the calculated market value of our shares in PAS exceeded our investment balance by approximately $143 million.

Additionally, in 2007, we completed the joint purchase of Sandora, LLC, a juice company in the Ukraine, with PAS. PAS holds a 60% majority interest in the joint venture and consolidates the entity. We account for our interest of 40% under the equity method of accounting.

Related Party Transactions

Our significant related party transactions include our noncontrolled bottling affiliates. We sell concentrate to these affiliates, which they use in the production of CSDs and non-carbonated beverages. We also sell certain finished goods to these affiliates, and we receive royalties for the use of our trademarks for certain products. Sales of concentrate and finished goods are reported net of bottler funding. For further unaudited information on these bottlers, see “Our Customers” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. These transactions with our bottling affiliates are reflected in our consolidated financial statements as follows:

	2008	2007	2006
Net revenue	**$4,919**	$4,874	$4,837
Selling, general and administrative expenses	**$ 131**	$ 91	$ 87
Accounts and notes receivable	**$ 153**	$ 163	
Accounts payable and other current liabilities	**$ 104**	$ 106	

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Such amounts are settled on terms consistent with other trade receivables and payables. See Note 9 regarding our guarantee of certain PBG debt.

In addition, we coordinate, on an aggregate basis, the contract negotiations of sweeteners and other raw material requirements for certain of our bottlers. Once we have negotiated the contracts, the bottlers order and take delivery directly from the supplier and pay the suppliers directly. Consequently, these transactions are not reflected in our consolidated financial statements. As the contracting party, we could be liable to these suppliers in the event of any nonpayment by our bottlers, but we consider this exposure to be remote.

Note 9 — Debt Obligations and Commitments

	2008	2007
Short-term debt obligations		
Current maturities of long-term debt	**$ 273**	$ 526
Commercial paper (0.7% and 4.3%)	**846**	361
Other borrowings (10.0% and 7.2%)	**509**	489
Amounts reclassified to long-term debt	**(1,259)**	(1,376)
	$ 369	$ —
Long-term debt obligations		
Short-term borrowings, reclassified	**$ 1,259**	$ 1,376
Notes due 2009-2026 (5.8% and 5.3%)	**6,382**	2,673
Zero coupon notes, $300 million due 2009-2012 (13.3%)	**242**	285
Other, due 2009-2016 (5.3% and 6.1%)	**248**	395
	8,131	4,729
Less: current maturities of long-term debt obligations	**(273)**	(526)
	$ 7,858	$ 4,203

The interest rates in the above table reflect weighted-average rates at year-end.

In the second quarter of 2008, we issued $1.75 billion of senior unsecured notes, maturing in 2018. We entered into an interest rate swap, maturing in 2018, to effectively convert the interest rate from a fixed rate of 5% to a variable rate based on LIBOR. The proceeds from the issuance of these notes were used for general corporate purposes, including the repayment of outstanding short-term indebtedness.

In the third quarter of 2008, we updated our U.S. $2.5 billion euro medium term note program following the expiration of the existing program. Under the program, we may issue unsecured notes under mutually agreed upon terms with the purchasers of the notes. Proceeds from any issuance of notes may be used for general corporate purposes, except as otherwise specified in the related prospectus. As of December 27, 2008, we had no outstanding notes under the program.

In the fourth quarter of 2008, we issued $2 billion of senior unsecured notes, bearing interest at 7.90% per year and maturing in 2018. We used the proceeds from the issuance of these notes for general corporate purposes, including the repayment of outstanding short-term indebtedness.

Additionally, in the fourth quarter of 2008, we entered into a new 364-day unsecured revolving credit agreement which enables us to borrow up to $1.8 billion, subject to customary terms and conditions, and expires in December 2009. This agreement replaced a $1 billion 364-day unsecured revolving credit agreement we entered into during the third quarter of 2008. Funds borrowed under this agreement may be used to repay outstanding commercial paper issued by us or our subsidiaries and for other general corporate purposes, including working capital, capital investments and acquisitions. This line of credit remained unused as of December 27, 2008.

This 364-day credit agreement is in addition to our $2 billion unsecured revolving credit agreement. Funds borrowed under this agreement may be used for general corporate purposes, including supporting our outstanding commercial paper issuances. This agreement expires in 2012. This line of credit remains unused as of December 27, 2008.

As of December 27, 2008, we have reclassified $1.3 billion of short-term debt to long-term based on our intent and ability to refinance on a long-term basis.

In addition, as of December 27, 2008, $844 million of our debt related to borrowings from various lines of credit that are maintained for our international divisions. These lines of credit are subject to normal banking terms and conditions and are fully committed to the extent of our borrowings.

Interest Rate Swaps

In connection with the issuance of the $1.75 billion notes in the second quarter of 2008, we entered into an interest rate swap, maturing in 2018, to effectively convert the interest rate from a fixed rate of 5% to a variable rate based on LIBOR. In addition, in connection with the issuance of the $1 billion senior unsecured notes in the second quarter of 2007, we entered into an interest rate swap, maturing in 2012, to effectively convert the interest rate from a fixed rate of 5.15% to a variable rate based on LIBOR. The terms of the swaps match the terms of the debt they modify. The notional amounts of the interest rate swaps outstanding at December 27, 2008 and December 29, 2007 were $2.75 billion and $1 billion, respectively.

At December 27, 2008, approximately 58% of total debt, after the impact of the related interest rate swaps, was exposed to variable interest rates, compared to 56% at December 29, 2007. In addition to variable rate long-term debt, all debt with maturities of less than one year is categorized as variable for purposes of this measure.

Long-Term Contractual Commitments [a]

	Payments Due by Period				
	Total	2009	2010 – 2011	2012 – 2013	2014 and beyond
Long-term debt obligations [b]	$ 6,599	$ —	$ 184	$2,198	$ 4,217
Interest on debt obligations [c]	2,647	388	605	522	1,132
Operating leases	1,088	262	359	199	268
Purchasing commitments	3,273	1,441	1,325	431	76
Marketing commitments	975	252	462	119	142
Other commitments	46	46	—	—	—
	$14,628	$2,389	$2,935	$3,469	$ 5,835

(a) Reflects non-cancelable commitments as of December 27, 2008 based on year-end foreign exchange rates and excludes any reserves for income taxes under FIN 48 as we are unable to reasonably predict the ultimate amount or timing of settlement of our reserves for income taxes.

(b) Excludes short-term obligations of $369 million and short-term borrowings reclassified as long-term debt of $1,259 million. Includes $197 million of principal and accrued interest related to our zero coupon notes.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 27, 2008.

Most long-term contractual commitments, except for our long-term debt obligations, are not recorded on our balance sheet. Non-cancelable operating leases primarily represent building leases. Non-cancelable purchasing commitments are primarily for oranges and orange juice, cooking oil and packaging materials. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. See Note 7 regarding our pension and retiree medical obligations and discussion below regarding our commitments to noncontrolled bottling affiliates and former restaurant operations.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. However, at the time of the separation of our bottling operations from us various guarantees were necessary to facilitate the transactions. We have guaranteed an aggregate of $2.3 billion of Bottling Group, LLC's long-term debt ($1.0 billion of which matures in 2012 and $1.3 billion of which matures in 2014). In the fourth quarter of 2008, we extended our guarantee of $1.3 billion of Bottling Group, LLC's long-term debt in connection with the refinancing of a corresponding portion of the underlying debt. The terms of our Bottling Group, LLC debt guarantee are intended to preserve the structure of PBG's separation from us and our payment obligation would be triggered if Bottling Group, LLC failed to perform under these debt obligations or the structure significantly changed. At December 27, 2008, we believe it is remote that these guarantees would require any cash payment. See Note 8 regarding contracts related to certain of our bottlers.

See “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our borrowings.

Note 10 — Financial Instruments

We are exposed to market risks arising from adverse changes in:

- commodity prices, affecting the cost of our raw materials and energy,
- foreign exchange risks, and
- interest rates.

In the normal course of business, we manage these risks through a variety of strategies, including the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. Cash flows from derivatives used to manage commodity, foreign exchange or interest risks are classified as operating activities. See “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our business risks.

For cash flow hedges, changes in fair value are deferred in accumulated other comprehensive loss within shareholders’ equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. Hedging ineffectiveness and a net earnings impact occur when the change in the value of the hedge does not offset the change in the value of the underlying hedged item. If the derivative instrument is terminated, we continue to defer the related gain or loss and include it as a component of the cost of the underlying hedged item. Upon determination that the underlying hedged item will not be part of an actual transaction, we recognize the related gain or loss in net income in that period.

We also use derivatives that do not qualify for hedge accounting treatment. We account for such derivatives at market value with the resulting gains and losses reflected in our income statement. We do not use derivative instruments for trading or speculative purposes. We perform a quarterly assessment of our counterparty credit risk, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. We consider this risk to be low, because we limit our exposure to individual, strong creditworthy counterparties and generally settle on a net basis.

Commodity Prices

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price purchase orders, pricing agreements, geographic diversity and derivatives. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for natural gas and diesel fuel. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately. However, such commodity cash flow hedges have not had any significant ineffectiveness for all periods presented. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net losses of $64 million related to cash flow hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risks that do not qualify for hedge accounting are marked to market each period and reflected in our income statement.

In 2007, we expanded our commodity hedging program to include derivative contracts used to mitigate our exposure to price changes associated with our purchases of fruit. In addition, in 2008, we entered into additional contracts to further reduce our exposure to price fluctuations in our raw material and energy costs. The majority of these contracts do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are then subsequently reflected in divisional results.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $303 million at December 27, 2008 and $5 million at December 29, 2007. These contracts resulted in net unrealized losses of $117 million at December 27, 2008 and net unrealized gains of less than $1 million at December 29, 2007.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $626 million at December 27, 2008 and $105 million at December 29, 2007. These contracts resulted in net losses of $343 million in 2008 and net gains of $3 million in 2007.

Foreign Exchange

Our operations outside of the U.S. generate 48% of our net revenue, with Mexico, Canada and the United Kingdom comprising 19% of our net revenue. As a result, we are exposed to foreign currency risks. On occasion, we enter into hedges, primarily forward contracts with terms of no more than two years, to reduce the effect of foreign exchange rates. Ineffectiveness of these hedges has not been material.

Interest Rates

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We may use interest rate and cross currency interest rate swaps to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Our 2008 and 2007 interest rate swaps were entered into concurrently with the issuance of the debt that they modified. The notional amount, interest payment and maturity date of the swaps match the principal, interest payment and maturity date of the related debt.

Fair Value

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 were effective as of the beginning of our 2008 fiscal year. However, the FASB deferred the effective date of SFAS 157, until the beginning of our 2009 fiscal year, as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. These include goodwill, other nonamortizable intangible assets and unallocated purchase price for recent acquisitions which are included within other assets. We adopted SFAS 157 at the beginning of our 2008 fiscal year and our adoption did not have a material impact on our financial statements.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- *Level 1*: Unadjusted quoted prices in active markets for identical assets and liabilities.
- *Level 2*: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- *Level 3*: Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability.

The fair values of our financial assets and liabilities are categorized as follows:

	2008				2007
	Total	Level 1	Level 2	Level 3	Total
Assets					
Short-term investments – index funds[(a)]	**$ 98**	$ 98	$ —	$ —	$189
Available-for-sale securities[(b)]	**41**	41	—	—	74
Forward exchange contracts[(c)]	**139**	—	139	—	32
Commodity contracts – other[(d)]	**—**	—	—	—	10
Interest rate swaps[(e)]	**372**	—	372	—	36
Prepaid forward contracts[(f)]	**41**	—	41	—	74
Total assets at fair value	**$ 691**	$ 139	$ 552	$ —	$415
Liabilities					
Forward exchange contracts[(c)]	**$ 56**	$ —	$ 56	$ —	$ 61
Commodity contracts – futures[(g)]	**115**	115	—	—	—
Commodity contracts – other[(d)]	**345**	—	345	—	7
Cross currency interest rate swaps[(h)]	**—**	—	—	—	8
Deferred compensation[(i)]	**447**	99	348	—	564
Total liabilities at fair value	**$ 963**	$ 214	$ 749	$ —	$640

The above items are included on our balance sheet under the captions noted or as indicated below. In addition, derivatives qualify for hedge accounting unless otherwise noted below.

(a) Based on price changes in index funds used to manage a portion of market risk arising from our deferred compensation liability.

(b) Based on the price of common stock.

(c) Based on observable market transactions of spot and forward rates. The 2008 asset includes $27 million related to derivatives that do not qualify for hedge accounting and the 2008 liability includes $55 million related to derivatives that do not qualify for hedge accounting. The 2007 asset includes $20 million related to derivatives that do not qualify for hedge accounting and the 2007 liability includes $5 million related to derivatives that do not qualify for hedge accounting.

(d) Based on recently reported transactions in the marketplace, primarily swap arrangements. The 2008 liability includes $292 million related to derivatives that do not qualify for hedge accounting. Our commodity contracts in 2007 did not qualify for hedge accounting.

(e) Based on the LIBOR index.

(f) Based primarily on the price of our common stock.

(g) Based on average prices on futures exchanges. The 2008 liability includes $51 million related to derivatives that do not qualify for hedge accounting.

(h) Based on observable local benchmarks for currency and interest rates. Our cross currency interest rate swaps matured in 2008.

(i) Based on the fair value of investments corresponding to employees' investment elections.

Derivative instruments are recognized on our balance sheet in current assets, current liabilities, other assets or other liabilities at fair value. The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to the short term maturity. Short-term investments consist principally of short-term time deposits and index funds of $98 million at December 27, 2008 and $189 million at December 29, 2007 used to manage a portion of market risk arising from our deferred compensation liability.

Under SFAS 157, the fair value of our debt obligations as of December 27, 2008 was $8.8 billion, based upon prices of similar instruments in the market place. The fair value of our debt obligations as of December 29, 2007 was $4.4 billion.

The table above excludes guarantees, including our guarantee aggregating $2.3 billion of Bottling Group, LLC's long-term debt. The guarantee had a fair value of $117 million at December 27, 2008 and $35 million at December 29, 2007 based on our estimate of the cost to us of transferring the liability to an independent financial institution. See Note 9 for additional information on our guarantees.

Note 11 — Net Income per Common Share

Basic net income per common share is net income available to common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income per common share is calculated using the weighted average of common shares outstanding adjusted to include the effect that would occur if in-the-money employee stock options were exercised and RSUs and preferred shares were converted into common shares. Options to purchase 9.8 million shares in 2008, 2.7 million shares in 2007 and 0.1 million shares in 2006 were not included in the calculation of diluted earnings per common share because these options were out-of-the-money. Out-of-the-money options had average exercise prices of $67.59 in 2008, $65.18 in 2007 and $65.24 in 2006.

The computations of basic and diluted net income per common share are as follows:

	2008		2007		2006	
	Income	**Shares[(a)]**	Income	Shares[(a)]	Income	Shares[(a)]
Net income	**$ 5,142**		$ 5,658		$ 5,642	
Preferred shares:						
Dividends	**(2)**		(2)		(2)	
Redemption premium	**(6)**		(10)		(9)	
Net income available for common shareholders	**$ 5,134**	**1,573**	$ 5,646	1,621	$ 5,631	1,649
Basic net income per common share	**$ 3.26**		$ 3.48		$ 3.42	
Net income available for common shareholders	**$ 5,134**	**1,573**	$ 5,646	1,621	$ 5,631	1,649
Dilutive securities:						
Stock options and RSUs	**—**	**27**	—	35	—	36
ESOP convertible preferred stock	**8**	**2**	12	2	11	2
Diluted	**$ 5,142**	**1,602**	$ 5,658	1,658	$ 5,642	1,687
Diluted net income per common share	**$ 3.21**		$ 3.41		$ 3.34	

(a) Weighted-average common shares outstanding.

Note 12 — Preferred Stock

As of December 27, 2008 and December 29, 2007, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued only for an ESOP established by Quaker and these shares are redeemable for common stock by the ESOP participants. The preferred stock accrues dividends at an annual rate of $5.46 per share. At year-end 2008 and 2007, there were 803,953 preferred shares issued and 266,253 and 287,553 shares outstanding, respectively. The outstanding preferred shares had a fair value of $72 million as of December 27, 2008 and $108 million as of December 29, 2007. Each share is convertible at the option of the holder into 4.9625 shares of common stock. The preferred shares may be called by us upon written notice at $78 per share plus accrued and unpaid dividends. Quaker made the final award to its ESOP plan in June 2001.

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Preferred stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased preferred stock						
Balance, beginning of year	**0.5**	**$ 132**	0.5	$ 120	0.5	$ 110
Redemptions	**—**	**6**	—	12	—	10
Balance, end of year	**0.5**	**$ 138**	0.5	$ 132	0.5	$ 120

Note 13 — Accumulated Other Comprehensive Loss

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition into our income statement. Accumulated other comprehensive loss is separately presented on our balance sheet as part of common shareholders' equity. Other comprehensive (loss)/income was $(3,793) million in 2008, $1,294 million in 2007 and $456 million in 2006. The accumulated balances for each component of other comprehensive loss were as follows:

	2008	2007	2006
Currency translation adjustment	**$(2,271)**	$ 213	$ (506)
Cash flow hedges, net of tax[(a)]	**(14)**	(35)	4
Unamortized pension and retiree medical, net of tax[(b)]	**(2,435)**	(1,183)	(1,782)
Unrealized gain on securities, net of tax	**28**	49	40
Other	**(2)**	4	(2)
Accumulated other comprehensive loss	**$(4,694)**	$ (952)	$(2,246)

(a) Includes $17 million after-tax loss in 2008 and $3 million after-tax gain in 2007 and 2006 for our share of our equity investees' accumulated derivative activity.

(b) Net of taxes of $1,288 million in 2008, $645 million in 2007 and $919 million in 2006. Includes $51 million decrease to the opening balance of accumulated other comprehensive loss in 2008 due to the change in measurement date. See Note 7.

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Note 14 — Supplemental Financial Information

	2008	2007	2006
Accounts receivable			
Trade receivables	**$3,784**	$3,670	
Other receivables	**969**	788	
	4,753	4,458	
Allowance, beginning of year	**69**	64	$ 75
Net amounts charged to expense	**21**	5	10
Deductions [(a)]	**(16)**	(7)	(27)
Other [(b)]	**(4)**	7	6
Allowance, end of year	**70**	69	$ 64
Net receivables	**$4,683**	$4,389	
Inventories [(c)]			
Raw materials	**$1,228**	$1,056	
Work-in-process	**169**	157	
Finished goods	**1,125**	1,077	
	$2,522	$2,290	

(a) Includes accounts written off.

(b) Includes currency translation effects and other adjustments.

(c) Inventories are valued at the lower of cost or market. Cost is determined using the average, first-in, first-out (FIFO) or last-in, first-out (LIFO) methods. Approximately 14% in 2008 and 2007 of the inventory cost was computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

	2008	2007
Other assets		
Noncurrent notes and accounts receivable	**$ 115**	$ 121
Deferred marketplace spending	**219**	205
Unallocated purchase price for recent acquisitions	**1,594**	451
Pension plans	**28**	635
Other	**702**	270
	$2,658	$1,682
Accounts payable and other current liabilities		
Accounts payable	**$2,846**	$2,562
Accrued marketplace spending	**1,574**	1,607
Accrued compensation and benefits	**1,269**	1,287
Dividends payable	**660**	602
Other current liabilities	**1,924**	1,544
	$8,273	$7,602

	2008	2007	2006
Other supplemental information			
Rent expense	**$ 357**	$ 303	$ 291
Interest paid	**$ 359**	$ 251	$ 215
Income taxes paid, net of refunds	**$ 1,477**	$ 1,731	$2,155
Acquisitions[(a)]			
Fair value of assets acquired	**$ 2,907**	$ 1,611	$ 678
Cash paid and debt issued	**(1,925)**	(1,320)	(522)
Liabilities assumed	**$ 982**	$ 291	$ 156

(a) During 2008, together with PBG, we jointly acquired Lebedyansky, for a total purchase price of $1.8 billion. Lebedyansky is owned 25% and 75% by PBG and us, respectively. The unallocated purchase price is included in other assets on our balance sheet and Lebedyansky's financial results subsequent to the acquisition are reflected in our income statement.

Management's Responsibility for Financial Reporting

To Our Shareholders:

At PepsiCo, our actions – the actions of all our associates – are governed by our Worldwide Code of Conduct. This Code is clearly aligned with our stated values – a commitment to sustained growth, through empowered people, operating with responsibility and building trust. Both the Code and our core values enable us to operate with integrity – both within the letter and the spirit of the law. Our Code of Conduct is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

The management of PepsiCo is responsible for the objectivity and integrity of our consolidated financial statements. The Audit Committee of the Board of Directors has engaged independent registered public accounting firm, KPMG LLP, to audit our consolidated financial statements and they have expressed an unqualified opinion.

We are committed to providing timely, accurate and understandable information to investors. Our commitment encompasses the following:

Maintaining strong controls over financial reporting. Our system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission published in their report titled *Internal Control – Integrated Framework*. The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded; that assets are safeguarded; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the U.S. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Our internal controls are reinforced through our Worldwide Code of Conduct, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law.

Exerting rigorous oversight of the business. We continuously review our business results and strategies. This encompasses financial discipline in our strategic and daily business decisions. Our Executive Committee is actively involved – from understanding strategies and alternatives to reviewing key initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge our approach to potential business opportunities and issues, and monitor results and controls.

Engaging strong and effective Corporate Governance from our Board of Directors. We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight as a representative of our shareholders. Our Audit Committee is comprised of independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. We review our critical accounting policies, financial reporting and internal control matters with them and encourage their direct communication with KPMG LLP, with our General Auditor, and with our General Counsel. We also have a compliance team to coordinate our compliance policies and practices.

Providing investors with financial results that are complete, transparent and understandable. The consolidated financial statements and financial information included in this report are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the U.S., which require estimates based on management's best judgment.

PepsiCo has a strong history of doing what's right. We realize that great companies are built on trust, strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

/S/ PETER A. BRIDGMAN

Peter A. Bridgman
Senior Vice President and Controller

/S/ RICHARD GOODMAN

Richard Goodman
Chief Financial Officer

/S/ INDRA K. NOOYI

Indra K. Nooyi
Chairman of the Board of Directors and
Chief Executive Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and subsidiaries ("PepsiCo, Inc." or "the Company") as of December 27, 2008 and December 29, 2007, and the related Consolidated Statements of Income, Cash Flows, and Common Shareholders' Equity for each of the fiscal years in the three-year period ended December 27, 2008. We also have audited PepsiCo, Inc.'s internal control over financial reporting as of December 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). PepsiCo, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. as of December 27, 2008 and December 29, 2007, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 27, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, PepsiCo, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by COSO.

/s/ KPMG LLP
New York, New York
February 19, 2009

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Selected Financial Data
(in millions except per share amounts, unaudited)

Quarterly	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue				
2008	$ 8,333	$10,945	$11,244	$12,729
2007	$ 7,350	$ 9,607	$10,171	$12,346
Gross profit				
2008	$ 4,499	$ 5,867	$ 5,976	$ 6,558
2007	$ 4,065	$ 5,265	$ 5,544	$ 6,562
Restructuring and impairment charges (a)				
2008	—	—	—	$ 543
2007	—	—	—	$ 102
Tax benefits (b)				
2007	—	—	$ (115)	$ (14)
Mark-to-market net impact (c)				
2008	$ (4)	$ 61	$ (176)	$ (227)
2007	$ 17	$ 13	$ (29)	$ 18
PepsiCo portion of PBG restructuring and impairment charge (d)				
2008	—	—	—	$ (138)
Net income				
2008	$ 1,148	$ 1,699	$ 1,576	$ 719
2007	$ 1,096	$ 1,557	$ 1,743	$ 1,262
Net income per common share – basic				
2008	$ 0.72	$ 1.07	$ 1.01	$ 0.46
2007	$ 0.67	$ 0.96	$ 1.08	$ 0.78
Net income per common share – diluted				
2008	$ 0.70	$ 1.05	$ 0.99	$ 0.46
2007	$ 0.65	$ 0.94	$ 1.06	$ 0.77
Cash dividends declared per common share				
2008	$ 0.375	$ 0.425	$ 0.425	$ 0.425
2007	$ 0.30	$ 0.375	$ 0.375	$ 0.375
2008 stock price per share (e)				
High	$ 79.79	$ 72.35	$ 70.83	$ 75.25
Low	$ 66.30	$ 64.69	$ 63.28	$ 49.74
Close	$ 71.19	$ 67.54	$ 68.92	$ 54.56
2007 stock price per share (e)				
High	$ 65.54	$ 69.64	$ 70.25	$ 79.00
Low	$ 61.89	$ 62.57	$ 64.25	$ 68.02
Close	$ 64.09	$ 66.68	$ 67.98	$ 77.03

2008 results reflect our change in reporting calendars of Spain and Portugal.

(a) The restructuring and impairment charge in 2008 was $543 million ($408 million after-tax or $0.25 per share). The restructuring and impairment charge in 2007 was $102 million ($70 million after-tax or $0.04 per share). See Note 3.

(b) The non-cash tax benefits in 2007 of $129 million ($0.08 per share) relate to the favorable resolution of certain foreign tax matters. See Note 5.

(c) In 2008, we recognized $346 million ($223 million after-tax or $0.14 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In 2007, we recognized $19 million ($12 million after-tax or $0.01 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

(d) In 2008, we recognized a non-cash charge of $138 million ($114 million after-tax or $0.07 per share) included in bottling equity income as part of recording our share of PBG's financial results.

(e) Represents the composite high and low sales price and quarterly closing prices for one share of PepsiCo common stock.

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Five–Year Summary
(unaudited)

	2008	2007	2006
Net revenue	**$43,251**	$39,474	$35,137
Net income	**$ 5,142**	$ 5,658	$ 5,642
Income per common share – basic	**$ 3.26**	$ 3.48	$ 3.42
Income per common share – diluted	**$ 3.21**	$ 3.41	$ 3.34
Cash dividends declared per common share	**$ 1.65**	$ 1.425	$ 1.16
Total assets	**$35,994**	$34,628	$29,930
Long-term debt	**$ 7,858**	$ 4,203	$ 2,550
Return on invested capital[(a)]	**25.5%**	28.9%	30.4%

	2005	2004
Net revenue	$32,562	$29,261
Income from continuing operations	$ 4,078	$ 4,174
Net income	$ 4,078	$ 4,212
Income per common share – basic, continuing operations	$ 2.43	$ 2.45
Income per common share – diluted, continuing operations	$ 2.39	$ 2.41
Cash dividends declared per common share	$ 1.01	$ 0.85
Total assets	$31,727	$27,987
Long-term debt	$ 2,313	$ 2,397
Return on invested capital[(a)]	22.7%	27.4%

(a) Return on invested capital is defined as adjusted net income divided by the sum of average shareholders' equity and average total debt. Adjusted net income is defined as net income plus net interest expense after-tax. Net interest expense after-tax was $184 million in 2008, $63 million in 2007, $72 million in 2006, $62 million in 2005 and $60 million in 2004.

- Includes restructuring and impairment charges of:

	2008	2007	2006	2005	2004
Pre-tax	**$ 543**	$ 102	$ 67	$ 83	$ 150
After-tax	**$ 408**	$ 70	$ 43	$ 55	$ 96
Per share	**$0.25**	$ 0.04	$0.03	$0.03	$0.06

- Includes mark-to-market net expense (income) of:

	2008	2007	2006
Pre-tax	**$ 346**	$ (19)	$ 18
After-tax	**$ 223**	$ (12)	$ 12
Per share	**$0.14**	$(0.01)	$0.01

- In 2008, we recognized $138 million ($114 million after-tax or $0.07 per share) of our share of PBG's restructuring and impairment charges.
- In 2007, we recognized $129 million ($0.08 per share) of non-cash tax benefits related to the favorable resolution of certain foreign tax matters. In 2006, we recognized non-cash tax benefits of $602 million ($0.36 per share) primarily in connection with the IRS's examination of our consolidated income tax returns for the years 1998 through 2002. In 2005, we recorded income tax expense of $460 million ($0.27 per share) related to our repatriation of earnings in connection with the American Job Creation Act of 2004. In 2004, we reached agreement with the IRS for an open issue related to our discontinued restaurant operations which resulted in a tax benefit of $38 million ($0.02 per share).
- On December 30, 2006, we adopted SFAS 158 which reduced total assets by $2,016 million, total common shareholders' equity by $1,643 million and total liabilities by $373 million.
- The 2005 fiscal year consisted of 53 weeks compared to 52 weeks in our normal fiscal year. The 53rd week increased 2005 net revenue by an estimated $418 million and net income by an estimated $57 million ($0.03 per share).

GLOSSARY

Acquisitions: reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries. The impact of acquisitions related to our non-consolidated equity investees is reflected in our volume and, excluding our anchor bottlers, in our operating profit.

Anchor bottlers: The Pepsi Bottling Group (PBG), PepsiAmericas (PAS) and Pepsi Bottling Ventures (PBV).

Bottlers: customers to whom we have granted exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographical area.

Bottler Case Sales (BCS): measure of physical beverage volume shipped to retailers and independent distributors from both PepsiCo and our bottlers.

Bottler funding: financial incentives we give to our bottlers to assist in the distribution and promotion of our beverage products.

Concentrate Shipments and Equivalents (CSE): measure of our physical beverage volume shipments to bottlers, retailers and independent distributors. This measure is reported on our fiscal year basis.

Consumers: people who eat and drink our products.

CSD: carbonated soft drinks.

Customers: authorized bottlers and independent distributors and retailers.

Derivatives: financial instruments that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates and stock prices.

Direct-Store-Delivery (DSD): delivery system used by us and our bottlers to deliver snacks and beverages directly to retail stores where our products are merchandised.

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.

Management operating cash flow: net cash provided by operating activities less capital spending plus sales of property, plant and equipment. It is our primary measure used to monitor cash flow performance.

Mark-to-market net gain or loss or impact: the 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 market place.

Marketplace spending: sales incentives offered through various programs to our customers and consumers (trade spending), as well as advertising and other marketing activities.

Servings: common metric reflecting our consolidated physical unit volume. Our divisions’ physical unit measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

Transaction gains and losses: the impact on our consolidated financial statements of exchange rate changes arising from specific transactions.

Translation adjustment: the impact of converting our foreign affiliates’ financial statements into U.S. dollars for the purpose of consolidating our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks."

Item 8. Financial Statements and Supplementary Data

See "Item 15. Exhibits and Financial Statement Schedules."

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Disclosure Controls and Procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of December 27, 2008.

Attestation Report of the Registered Public Accounting Firm. KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

(c) Changes in Internal Control over Financial Reporting. During our fourth fiscal quarter of 2008, we continued migrating certain of our financial processing systems to SAP software. This software implementation is part of our ongoing global business transformation initiative, and we plan to continue implementing such software throughout other parts of our businesses over the course of the next few years. In connection with the SAP implementation and resulting business process changes, we continue to enhance the design and documentation of our internal control processes to ensure suitable controls over our financial reporting.

Except as described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The name, age and background of each of our directors nominated for election are contained under the caption "Election of Directors" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and are incorporated herein by reference. Pursuant to Item 401(b) of Regulation S-K, information about our executive officers is reported under the caption "Executive Officers of the Registrant" in Part I of this report.

Information on the beneficial ownership reporting for our directors and executive officers is contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our directors, Chairman of the Board and Chief Executive Officer, Chief Financial Officer and Controller. Our Worldwide Code of Conduct is distributed to all employees, is available on our website at http://www.pepsico.com and is included as Exhibit 14 to this Annual Report on Form 10-K. A copy of our Worldwide Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577.

Our business and affairs are overseen by our Board of Directors pursuant to the North Carolina Business Corporation Act and our By-Laws. The Board of Directors has three separately designated standing committees: Audit, Compensation and Nominating and Corporate Governance. The charters of these committees are available free of charge on our website at http://www.pepsico.com. The names of each of our Audit Committee members are contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and is incorporated herein by reference. Information on our Audit Committee and Audit Committee financial expertise and financial literacy is contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the captions “The Audit Committee” and “Financial Expertise and Financial Literacy” and is incorporated herein by reference. The names of each of our Nominating and Corporate Governance Committee members are contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and are incorporated herein by reference. Information on our Nominating and Corporate Governance Committee and director nomination process can be found in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the captions “The Nominating and Corporate Governance Committee” and “Director Nomination Process” and is incorporated herein by reference.

Item 11. Executive Compensation

Information on compensation of our directors and executive officers and Compensation Committee interlocks is contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the captions “2008 Director Compensation,” “Executive Compensation,” and “Compensation Committee Interlocks and Insider Participation,” respectively, and is incorporated herein by reference.

The names of each of our Compensation Committee members are contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the caption “Committees of the Board of Directors” and are incorporated herein by reference. Information on our Compensation Committee can be found under the caption “The Compensation Committee” in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to securities authorized for issuance under equity compensation plans can be found under the caption “Securities Authorized for Issuance Under Equity Compensation Plans” in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

Information on the number of shares of PepsiCo Common Stock beneficially owned by each director and named executive officer and by all directors and executive officers as a group is contained under the caption "Ownership of PepsiCo Common Stock by Directors and Executive Officers" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference. As far as we know, no person beneficially owns more than 5% of the outstanding shares of PepsiCo Common or Convertible Preferred Stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions with Related Persons. Information with respect to transactions with related persons, if any, is contained under the caption "Review and Approval of Transactions with Related Persons" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

Review, Approval or Ratification of Transactions with Related Persons. Information with respect to the review, approval or ratification of transactions with related persons is contained under the caption "Review and Approval of Transactions with Related Persons" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

Promoters and Certain Control Persons. Not applicable.

Director Independence. The name of each director that is independent is contained under the caption "Director Independence" in our Proxy Statement for our 2009 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information on our Audit Committee's pre-approval policy for audit services, and information on our principal accountant fees and services is contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders under the captions "Audit Committee Report" and "Audit and Non-Audit Fees," and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)1. Financial Statements

The following consolidated financial statements of PepsiCo, Inc. and its affiliates are included herein by reference to the pages indicated on the index appearing in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

Consolidated Statement of Income – Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006.

Consolidated Statement of Cash Flows – Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006.

Consolidated Balance Sheet – December 27, 2008 and December 29, 2007.

Consolidated Statement of Common Shareholders’ Equity – Fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006.

Notes to Consolidated Financial Statements, and

Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules

These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits

See Index to Exhibits.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 19, 2009

PepsiCo, Inc.

By: /s/ Indra K. Nooyi
Indra K. Nooyi
Chairman of the Board of Directors and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 19, 2009
/s/ Richard Goodman Richard Goodman	Chief Financial Officer	February 19, 2009
/s/ Peter A. Bridgman Peter A. Bridgman	Senior Vice President and Controller (Principal Accounting Officer)	February 19, 2009
/s/ Ian M. Cook Ian M. Cook	Director	February 19, 2009
/s/ Dina Dublon Dina Dublon	Director	February 19, 2009

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/s/ Victor J. Dzau Victor J. Dzau, M.D.	Director	February 19, 2009
/s/ Ray L. Hunt Ray L. Hunt	Director	February 19, 2009
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 19, 2009
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 19, 2009
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 19, 2009
/s/ James J. Schiro James J. Schiro	Director	February 19, 2009
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 19, 2009
/s/ Daniel Vasella Daniel Vasella	Director	February 19, 2009
/s/ Michael D. White Michael D. White	Director	February 19, 2009

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INDEX TO EXHIBITS
ITEM 15(a)(3)

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference are located in the SEC's Public Reference Room in Washington, D.C. in the SEC's file no. 1-1183.

EXHIBIT	
3.1	Amended and Restated Articles of Incorporation of PepsiCo, Inc., which are incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 (Registration No. 333-66632).
3.2	By-Laws of PepsiCo, Inc., as amended on February 2, 2007, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.
4.1	PepsiCo, Inc. agrees to furnish to the SEC, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.
4.2	Amended and Restated Agency Agreement dated August 5, 2008 by and among PepsiCo, The Bank of New York Mellon and The Bank of New York (Luxembourg) S.A., which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated as of August 5, 2008.
4.3	Amended and Restated Deed of Covenant dated August 5, 2008 made by PepsiCo, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated as of August 5, 2008.
4.4	Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York, as trustee, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated May 25, 2007.
4.5	Form of 5.15% Senior Note due 2012, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated May 25, 2007.
4.6	Form of 4.65% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated December 3, 2007.

4.7	Form of 5.00% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated May 21, 2008.
4.8	Form of 7.90% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
4.9	Indenture dated as of October 24, 2008 among PepsiCo, Bottling Group, LLC and The Bank of New York Mellon, as Trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
4.10	Form of PepsiCo Guarantee of 6.95% Senior Note due 2014 of Bottling Group, LLC, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo's Current Report on Form 8-K dated October 24, 2008.
10.1	PepsiCo, Inc. 1994 Long-Term Incentive Plan, as amended and restated effective October 1, 1999, which is incorporated herein by reference to Exhibit 10.6 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 25, 1999.*
10.2	PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.3	PepsiCo Pension Equalization Plan, restated effective August 29, 1997, which is incorporated herein by reference to Exhibit 10.9 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.*
10.4	PepsiCo SharePower Stock Option Plan, as amended and restated effective August 3, 2001, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.5	PepsiCo, Inc. 1995 Stock Option Incentive Plan (as amended and restated effective August 2, 2001), which is incorporated herein by reference to Exhibit 10.14 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*
10.6	The Quaker Long-Term Incentive Plan of 1990, which is incorporated herein by reference to Exhibit 10.16 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*

10.7 The Quaker Long-Term Incentive Plan of 1999, which is incorporated herein by reference to Exhibit 10.17 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.*

10.8 PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.9 PepsiCo, Inc. 2004 Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit D to PepsiCo's Proxy Statement for its 2004 Annual Meeting of Shareholders.*

10.10 Form of Regular Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.11 Form of Regular Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.12 Form of Special Long-Term Incentive Award Agreement (Restricted Stock Units Terms and Conditions), which is incorporated herein by reference to Exhibit 99.3 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.13 Form of Special Long-Term Incentive Award Agreement (Stock Option Agreement), which is incorporated herein by reference to Exhibit 99.4 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.14 Form of Non-Employee Director Restricted Stock Unit Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.15 Form of Non-Employee Director Stock Option Agreement, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo's Current Report on Form 8-K dated as of January 28, 2005.*

10.16 Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated herein by reference to Exhibit 10.20 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.*

10.17 Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.18 Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.19 Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.20 Form of Pro Rata Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.21 Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.22 Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo's Current Report on Form 8-K dated as of February 2, 2006.*

10.23 PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.24 PepsiCo Director Deferral Program, effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*

10.25 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plans, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1987 Incentive Plan effective as of December 31, 2005, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.*

10.26 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the Quaker Long-Term Incentive Plan of 1999, the Quaker Long-Term Incentive Plan of 1990 and the PepsiCo, Inc. Director Stock Plan, effective as of November 17, 2006, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*

10.27	Form of Non-Employee Director Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 9, 2006.*
10.28	US $1,500,000,000 Five Year Credit Agreement, dated as of May 22, 2006, which is incorporated herein by reference to Exhibit 10.1 of PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended June 17, 2006.
10.29	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2007.*
10.30	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2007.*
10.31	Amendment to the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan and the PepsiCo, Inc. 1987 Incentive Plan, effective as of February 2, 2007, which is incorporated herein by reference to Exhibit 10.41 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
10.32	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.33	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.34	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Current Report on Form 8-K dated as of May 8, 2007.*
10.35	Letter Agreement effective May 2, 2007 extending Five-Year Credit Agreement dated as of May 22, 2006 among PepsiCo, Inc., as Borrower, the Lenders named therein, and Citibank, N.A., as Administrative Agent, to May 22, 2012, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended June 16, 2007.

10.36	Amendment effective August 1, 2007 to Five-Year Credit Agreement dated as of May 22, 2006 among PepsiCo, Inc., as Borrower, the Lenders named therein, and Citibank, N.A., as Administrative Agent, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of August 2, 2007.
10.37	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.6 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.38	Agreement between PepsiCo, Inc. and Dawn E. Hudson, executed November 2, 2007, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated November 2, 2007.*
10.39	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2008.*
10.40	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 7, 2008.*
10.41	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.42	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.43	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.44	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*
10.45	Form of Restricted Stock Unit Retention Award Agreement which is incorporated herein by reference to Exhibit 10.5 to PepsiCo's Current Report on Form 8-K dated as of February 11, 2009.*

10.46	PepsiCo Pension Equalization Plan (Plan Document for the 409A Plan), amended and restated effective January 1, 2005.*
12	Computation of Ratio of Earnings to Fixed Charges.
14	Worldwide Code of Conduct.
21	Subsidiaries of PepsiCo, Inc.
23	Consent of KPMG LLP.
24	Power of Attorney executed by Indra K. Nooyi, Richard Goodman, Peter A. Bridgman, Ian M. Cook, Dina Dublon, Victor J. Dzau, M.D., Ray L. Hunt, Alberto Ibargüen, Arthur C. Martinez, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Michael D. White.
31	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

EXHIBIT 10.46

PEPSICO

PENSION EQUALIZATION PLAN

(PEP)

Plan Document for the Section 409A Program
(January 1, 2005 Restatement, As Amended Through December 2008)

PEPSICO PENSION EQUALIZATION PLAN

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ARTICLE I

Foreword

The PepsiCo Pension Equalization Plan ("PEP" or "Plan") has been established by PepsiCo for the benefit of salaried employees of the PepsiCo Organization who participate in the PepsiCo Salaried Employees Retirement Plan ("Salaried Plan"). PEP provides benefits for eligible employees whose pension benefits under the Salaried Plan are limited by the provisions of the Internal Revenue Code of 1986, as amended. In addition, PEP provides benefits for certain eligible employees based on the pre-1989 Salaried Plan formula.

The Plan was last amended and restated in its entirety effective as of January 1, 1989, and this restatement was subsequently amended.

This document is effective as of January 1, 2005 (the "Effective Date"). It sets forth the terms of the Plan that are applicable to benefits that are subject to Section 409A, *i.e.*, generally, benefits that are earned or vested after December 31, 2004 (the "409A Program"). All other benefits under the Plan shall be governed by the document referenced in the preceding paragraph, which sets forth the pre-Section 409A terms of the Plan (the "Pre-409A Program"). Together, this document and the document for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of this 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to be sufficient to permit the pre-409A Program to remain exempt from Section 409A as grandfathered benefits.

ARTICLE II

Definitions and Construction

2.1 Definitions: This section provides definitions for certain words and phrases listed below. These definitions can be found on the pages indicated.

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Where the following words and phrases, in boldface and underlined, appear in this Plan (including the Foreword) with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context.

(a) **Accrued Benefit**: The Pension payable at Normal Retirement Date determined in accordance with Article V, based on the Participant's Highest Average Monthly Earnings and Credited Service at the date of determination.

(b) **Actuarial Equivalent**: Except as otherwise specifically set forth in the Plan or any Appendix to the Plan with respect to a specific benefit determination, a benefit of equivalent value computed on the basis of the factors set forth below. The application of the following assumptions to the computation of benefits payable under the Plan shall be done in a uniform and consistent manner. In the event the Plan is amended to provide new rights, features or benefits, the following actuarial factors shall not apply to these new elements unless specifically adopted by the amendment.

(1) Annuities and Inflation Protection: To determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a period certain and life annuity, the Plan Administrator shall

select the factors that are to be used. Effective January 1, 2009, the initial factors selected by the Plan Administrator are set forth in Schedule 1, below (prior factors appear in the Appendix). Thereafter, the Plan Administrator shall review such initial factors from time to time and shall amend such factors in its discretion. A Participant shall have no right to have any of the actuarial factors specified under the Plan from time to time applied to his benefit (or any portion thereof), except to the extent that a particular factor is currently in effect at the time it is to be applied under the Plan. For the avoidance of doubt, it is expressly intended and binding upon Participants that any actuarial factors selected by the Plan Administrator from time-to-time may be applied retroactively to already accrued benefits, and without regard to the actuarial factors that may have applied previously for such purpose.

SCHEDULE 1

Date	**Mortality Table Factors**	**Interest Rate Factor**
January 1, 2009-Present	GAR 94	5%

(2) Lump Sums: To determine the lump sum value of a Pension, or a Pre-Retirement Spouse’s Pension under Section 4.6, the factors applicable for such purposes under the Salaried Plan shall apply.

(3) Other Cases: To determine the adjustment to be made in the Pension payable to or on behalf of a Participant in other cases, the factors are those applicable for such purpose under the Salaried Plan.

(c) **Annuity**: A Pension payable as a series of monthly payments for at least the life of the Participant.

(d) **Annuity Starting Date**: The Annuity Starting Date shall be the first day of the first period for which an amount is payable under this Plan as an annuity or in any other form. A Participant who: (1) is reemployed after his initial Annuity Starting Date, and (2) is entitled to benefits hereunder after his reemployment, shall have a subsequent Annuity Starting Date for such benefits only to the extent provided in Section 6.3(b).

(e) **Code**: The Internal Revenue Code of 1986, as amended from time to time. All references herein to particular Code Sections shall also refer to any successor provisions and shall include all related regulations, interpretations and other guidance.

(f) **Company**: PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina or its successor or successors.

(g) **Covered Compensation**: “Covered Compensation” as that term is defined in the Salaried Plan.

(h) **Credited Service**: The period of a Participant’s employment, calculated in accordance with Section 3.3, which is counted for purposes of determining the amount of benefits payable to, or on behalf of, the Participant.

(i) **Disability Retirement Pension**: The Retirement Pension available to a Participant under Section 4.5.

(j) **Early 409A Retirement Pension**: The 409A Retirement Pension available to a Participant under Section 4.2.

(k) **Effective Date**: The date upon which this document for the 409A Program is effective, January 1, 2005. Certain identified provisions of the 409A Program or the Plan may be effective on different dates, to the extent noted herein.

(l) **Elapsed Time Service**: The period of time beginning with a Participant's first date of employment with the PepsiCo Organization and ending with the Participant's Final Separation from Service, irrespective of any breaks in service between those two dates. By way of illustration, if a Participant began employment with the PepsiCo Organization on January 1, 2000, left the employment of the PepsiCo Organization from January 1, 2001 until December 31, 2004, and was then reemployed by the PepsiCo Organization on January 1, 2005 until he had a Final Separation from Service on December 31, 2008, the Participant would have eight years of Elapsed Time Service as of his Final Separation from Service.

(m) **Eligible Spouse**: The spouse of a Participant to whom the Participant is married on the earlier of the Participant's Annuity Starting Date or the date of the Participant's death.

(n) **Employee**: An individual who qualifies as an "Employee" as that term is defined in the Salaried Plan.

(o) **Employer**: An entity that qualifies as an "Employer" as that term is defined in the Salaried Plan.

(p) **ERISA**: Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, including any amendments thereto, any similar subsequent federal laws, and any rules and regulations from time to time in effect under any of such laws.

(q) **FICA Amount**: The Participant's share of the Federal Insurance Contributions Act (FICA) tax imposed on the 409A Pension and Pre-409A Pension of the Participant under Code Sections 3101, 3121(a) and 3121(v)(2).

(r) **409A Program**: The program described in this document. The term "409A Program" is used to identify the portion of the Plan that is subject to Section 409A.

(s) **Highest Average Monthly Earnings**: "Highest Average Monthly Earnings" as that term is defined in the Salaried Plan, but without regard to the limitation imposed by section 401(a)(17) of the Code (as such limitation is interpreted and applied under the Salaried Plan). Notwithstanding the foregoing, to the extent that a Participant receives, during a leave of absence, earnings that would be counted as Highest Average Monthly Earnings if they were received during a period of active service, but that will be received after the Participant's Separation from Service, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such earnings were taken into account under the Plan.

(t) **Key Employee**: The individuals identified in accordance with the following paragraphs.

(1) In General. Any Participant who at any time during the applicable year is:

(i) An officer of any member of the PepsiCo Organization having annual compensation greater than $130,000 (as adjusted for the applicable year under Code Section 416(i)(1));

(ii) A 5-percent owner of any member of the PepsiCo Organization; or

(iii) A 1-percent owner of any member of the PepsiCo Organization having annual compensation of more than $150,000.

For purposes of subparagraph (i) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further than the applicable year shall be determined in accordance with Section 409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(2) <u>Applicable Year</u>. Effective from and after December 31, 2007, the Plan Administrator shall determine Key Employees effective as of the last day of each calendar year, based on compensation for such year, and such designation shall be effective for purposes of this Plan for the twelve-month period commencing on April 1st of the next following calendar year (*e.g.*, the Key Employee determination by the Plan Administrator as of December 31, 2008 shall apply to the period from April 1, 2009 to March 31, 2010).

(3) <u>Rule of Administrative Convenience</u>. Effective from and after December 31, 2007, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in paragraph (2) (*i.e.*, the period commencing on April 1st of the next following calendar year) as Key Employees for purposes of

the Plan for the twelve-month period commencing on April 1st of the next following calendar year; provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this paragraph (3) in order by their base compensation, from the lowest to the highest.

(u) **Late Retirement Date**: The Late Retirement Date shall be the first day of the month coincident with or immediately following a Participant's actual Retirement Date occurring after his Normal Retirement Age.

(v) **Late 409A Retirement Pension**: The 409A Retirement Pension available to a Participant under Section 4.4.

(w) **Normal Retirement Age**: The Normal Retirement Age under the Plan is age 65 or, if later, the age at which a Participant first has 5 Years of Elapsed Time Service.

(x) **Normal Retirement Date**: A Participant's Normal Retirement Date shall be the first day of the month coincident with or immediately following a Participant's Normal Retirement Age.

(y) **Normal 409A Retirement Pension**: The Retirement Pension available to a Participant under Section 4.1.

(z) **Participant**: An Employee participating in the Plan in accordance with the provisions of Section 3.1.

(aa) **Pension**: One or more payments that are payable by the Plan to a person who is entitled to receive benefits under the Plan. The term "409A Pension" shall be used to refer to the portion of a Pension that is derived from the 409A Program. The term “Pre-409A Pension” shall be used to refer to the portion of a Pension that is derived from the Pre-409A Program.

(bb) **PepsiCo Organization**: The controlled group of organizations of which the Company is a part, as defined by Code section 414 and regulations issued thereunder. An entity shall be considered a member of the PepsiCo Organization only during the period it is one of the group of organizations described in the preceding sentence.

(cc) **Plan**: The PepsiCo Pension Equalization Plan, the Plan set forth herein and in the Pre-409A Program document(s), as the Plan may be amended from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program). The Plan is also sometimes referred to as PEP, or as the PepsiCo Pension Benefit Equalization Plan.

(dd) **Plan Administrator**: The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII.

(ee) **Plan Year**: The 12-month period commencing on January 1 and ending on December 31.

(ff) **Pre-409A Program**: The portion of the Plan that governs deferrals that are not subject to Section 409A. The terms of the Pre-409A Program are set forth in a separate document (or separate set of documents).

(gg) **Pre-Retirement Spouse’s Pension**: The Pension available to an Eligible Spouse under the Plan. The term “Pre-Retirement Spouse’s 409A Pension” shall be used to refer to the Pension available to an Eligible Spouse under Section 4.6 of this document.

(hh) **Primary Social Security Amount**: In determining Pension amounts, Primary Social Security Amount shall mean:

(1) For purposes of determining the amount of a Retirement, Vested or Pre-Retirement Spouse's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended. Such estimates of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the following assumptions:

(i) That the Participant's social security wages in any year prior to Retirement or Separation from Service are equal to the Taxable Wage Base in such year, and

(ii) That he will not receive any social security wages after Retirement or Separation from Service.

However, in computing a Vested Pension under Formula A of Section 5.2, the estimate of the old-age insurance benefit to which a Participant would be entitled at age 65 shall be based upon the assumption that he continued to receive social security wages until age 65 at the same rate as the Taxable Wage Base in effect at his Separation from Service. For purposes of this subsection, "social security wages" shall mean wages within the meaning of the Social Security Act.

(2) For purposes of determining the amount of a Disability Pension, the Primary Social Security Amount shall be (except as provided in the next sentence) the initial monthly amount actually received by the disabled Participant as a disability insurance benefit under the provisions of Title II of the Social Security Act, as amended and in effect at the time of the Participant's Retirement due to disability. Notwithstanding the preceding sentence, for any period that a Participant receives a Disability Pension before receiving a disability insurance benefit under the provisions of Title II of the Social Security Act, then the Participant's Primary Social Security Amount for such period shall be determined pursuant to paragraph (1) above.

(3) For purposes of paragraphs (1) and (2), the Primary Social Security Amount shall exclude amounts that may be available because of the spouse or any dependent of the Participant or any amounts payable on account of the Participant's death. Estimates of Primary Social Security Amounts shall be made on the basis of the Social Security Act as in effect at the Participant's Separation from Service, without regard to any increases in the social security wage base or benefit levels provided by such Act which take effect thereafter.

(ii) **Prohibited Misconduct**: Any of the following activities engaged in, directly or indirectly, by a Participant shall constitute Prohibited Misconduct:

(1) The Participant accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Participant's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Participant, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Participant using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his or her position with the PepsiCo Organization. Such confidential information shall include all non-public information the Participant acquired as a result of his or her positions with the PepsiCo Organization which might be of any value to a competitor of the PepsiCo Organization, or which might cause any economic loss or substantial embarrassment to the PepsiCo Organization or its customers, bottlers, distributors or suppliers if used or disclosed. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Participant engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Company's Code of Conduct, engaging in unlawful trading in the securities of the

Company or of any other company based on information gained as a result of his or her employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Participant engaging in any activity that constitutes fraud.

For purposes of this subsection, “Participation” shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, “Covered Products” shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks and value-added dairy drinks; juices and juice products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Participant had reason to know was under development by the PepsiCo Organization during the Participant’s employment with the PepsiCo Organization.

(jj) **Qualified Joint and Survivor Annuity**: An Annuity which is payable to the Participant for life with 50 percent of the amount of such Annuity payable after the Participant’s death to his surviving Eligible Spouse for life. If the Eligible

Spouse predeceases the Participant, no survivor benefit under a Qualified Joint and Survivor Annuity shall be payable to any person. The amount of a Participant’s monthly payment under a Qualified Joint and Survivor Annuity shall be reduced to the extent provided in Sections 5.1 and 5.2, as applicable.

(kk) **Retirement**: Separation from Service for reasons other than death after a Participant has fulfilled the requirements for either a Normal, Early, Late, or Disability Retirement Pension under Article IV.

(ll) **Retirement Date**: The date immediately following the Participant’s Retirement.

(mm) **Retirement Pension**: The Pension payable to a Participant upon Retirement under the Plan. The term “409A Retirement Pension” shall be used to refer to the portion of a Retirement Pension that is derived from the 409A Program. The term “Pre-409A Retirement Pension” shall be used to refer to the portion of a Retirement Pension that is derived from the Pre-409A Program.

(nn) **Salaried Plan**: The PepsiCo Salaried Employees Retirement Plan, as it may be amended from time to time.

(oo) **Section 409A**: Section 409A of the Code.

(pp) **Separation from Service**: A Participant’s separation from service with the PepsiCo Organization, within the meaning of Section 409A(a)(2)(A)(i). The term may also be used as a verb (*i.e.*, “Separates from Service”) with no change in meaning. Notwithstanding the preceding sentence, a Participant’s transfer to an entity owned 20% or more by the Company will not constitute a Separation of Service to the extent permitted by Section 409A. A Participant’s “Final Separation from Service” is the date of his Separation from Service that most recently precedes his Annuity Starting Date; provided, however, that to the extent a Participant is reemployed after an Annuity Starting Date, he will have a new Final Separation from Service with respect to any benefits to which he becomes entitled as a result of his reemployment. The following principles shall generally apply in determining when a Separation from Service occurs:

(1) A Participant separates from service with the Company if the Employee dies, retires, or otherwise has a termination of employment with the Company. Whether a termination of employment has occurred is determined based on whether the facts and circumstance indicate that the Company and the Employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the Employee would perform after such date (as an employee or independent contractor) would permanently decrease to no more than 20 percent of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period in which the Employee provided services to the Company if the Employee has been providing services for less than 36 months).

(2) An Employee will not be deemed to have experienced a Separation from Service if such Employee is on military leave, sick leave, or other bona fide leave of absence, to the extent such leave does not exceed a period of six months or, if longer, such longer period of time during which a right to re-employment is protected by either statute or contract. If the period of leave exceeds six months and the individual does not retain a right to re-employment under an applicable statute or by contract, the employment relationship is deemed

to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period.

(3) If an Employee provides services both an as employee and as a member of the Board of Directors of the Company, the services provided as a Director are generally not taken into account in determining whether the Employee has Separated from Service as an Employee for purposes of the Plan, in accordance with final regulations under Section 409A.

(qq) **Service**: The period of a Participant's employment calculated in accordance with Section 3.2 for purposes of determining his entitlement to benefits under the Plan.

(rr) **Single Life Annuity**: A level monthly Annuity payable to a Participant for his life only, with no survivor benefits to his Eligible Spouse or any other person.

(ss) **Single Lump Sum**: The distribution of a Participant's total 409A Pension in the form of a single payment, which payment shall be the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Normal Retirement Date (or Late Retirement Date, if applicable), but not less than the Actuarial Equivalent of the Participant's 409A Pension as of the Participant's Early Retirement Date, in the case of a Participant who is entitled to an immediate Early 409A Retirement Pension.

(tt) **Social Security Act**: The Social Security Act of the United States, as amended, an enactment providing governmental benefits in connection with events such as old age, death and disability. Any reference herein to the Social Security Act (or any of the benefits provided thereunder) shall be taken as a reference to any comparable governmental program of another country, as determined by the Plan Administrator, but only to the extent the Plan Administrator judges the computation of those benefits to be administratively feasible.

(uu) **Taxable Wage Base**: The contribution and benefit base (as determined under section 230 of the Social Security Act) in effect for the Plan Year.

(vv) **Vested Pension**: The Pension available to a Participant under Section 4.3. The term "409A Vested Pension" shall be used to refer to the portion of a Vested Pension that is derived from the 409A Program. The term "Pre-409A Vested Pension" shall be used to refer to the portion of a Vested Pension that is derived from the Pre-409A Program.

2.2 Construction: The terms of the Plan shall be construed in accordance with this section.

(a) Gender and Number: The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

(b) Compounds of the Word “Here”: The words “hereof”, “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire Plan, not to any particular provision or section.

(c) Examples: Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passages of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limits on its breadth of application).

(d) Subdivisions of the Plan Document: This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs, clauses, and sub-clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Sub-clauses are designated by upper-case roman numerals in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

ARTICLE III

Participation and Service

3.1 Participation: An Employee shall be a Participant in the Plan during the period:

(a) When he would be currently entitled to receive a Pension under the Plan if his employment terminated at such time, or

(b) When he would be so entitled but for the vesting requirement of Section 4.7.

It is expressly contemplated that an Employee, who is entitled to receive a Pension under the Plan as of a particular time, may subsequently cease to be entitled to receive a Pension under the Plan.

3.2 Service: A Participant’s entitlement to a Pension and to a Pre-Retirement Spouse’s Pension for his Eligible Spouse shall be determined under Article IV based upon his period of Service. A Participant’s period of Service shall be determined under Article III of the Salaried Plan. If a Participant’s period of Service (as so determined) would extend beyond the Participant’s Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant’s 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

3.3 Credited Service: The amount of a Participant’s Pension and a Pre-Retirement Spouse’s Pension shall be based upon the Participant’s period of Credited Service, as determined under Article III of the Salaried Plan. If a Participant’s period of Credited Service (as so determined) would extend beyond the Participant’s Separation from Service date because of a leave of absence, the Plan Administrator may provide for determining the Participant's 409A Pension at Separation from Service by projecting the benefit the Participant would have if all such Service were taken into account under the Plan.

ARTICLE IV

Requirements for Benefits

A Participant shall be eligible to receive a Pension and a surviving Eligible Spouse shall be eligible for certain survivor benefits as provided in this Article. The amount of any such Pension or survivor benefit shall be determined in accordance with Article V.

4.1 Normal 409A Retirement Pension: A Participant shall be eligible for a Normal 409A Retirement Pension if he Separates from Service after attaining Normal Retirement Age.

4.2 Early 409A Retirement Pension: A Participant shall be eligible for an Early 409A Retirement Pension if he Separates from Service prior to attaining Normal Retirement Age but after attaining at least age 55 and completing 10 or more years of Elapsed Time Service.

4.3 409A Vested Pension: A Participant who is vested under Section 4.7 shall be eligible to receive a 409A Vested Pension if he Separates from Service before he is eligible for a Normal 409A Retirement Pension or an Early 409A Retirement Pension. A Participant who terminates employment prior to satisfying the vesting requirement in Section 4.7 shall not be eligible to receive a Pension under this Plan.

4.4 Late 409A Retirement Pension: A Participant who continues without a Separation from Service after his Normal Retirement Age shall not receive a Pension until his Late Retirement Date. Thereafter, a Participant shall be eligible for a Late Retirement Pension determined in accordance with Section 4.4 of the Salaried Plan (but without regard to any requirement for notice of suspension under ERISA section 203(a)(3)(B) or any adjustment as under Section 5.5(d) of the Salaried Plan).

4.5 409A Disability Pension: A Participant shall be eligible for a 409A Disability Pension if he meets the requirements for a Disability Pension under the Salaried Plan. A Participant's 409A Disability Pension, if any, shall generally be comprised of two parts. The first part shall represent the benefits with respect to a disabled Participant's Credited Service through the day of the Participant's Separation from Service (*i.e.*, the Participant's "Pre-Separation Accruals"). In the event the disabled Participant continues to receive Credited Service related to the disability after such Separation from Service, the Participant's 409A Disability Pension shall have a second part, which shall represent all benefits accrued with respect to Credited Service from the date immediately following the Participant's Separation from Service until the earliest of the Participant's (i) attainment of age 65, (ii) benefit commencement date under the Salaried Plan or (iii) recovery from the disability (*i.e.*, the Participant's "Post-LTD Accruals").

4.6 Pre-Retirement Spouse's 409A Pension: A Pre-Retirement Spouse's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date. Any Pre-Retirement Spouse's 409A Pension payable on behalf of a Participant shall commence as of the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Spouse's 409A Pension shall continue monthly for the life of the Eligible Spouse.

(a) Active, Disabled and Retired Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the pre-retirement spouse's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) Vested Employees: A Pre-Retirement Spouse's 409A Pension shall be payable under this subsection to a Participant's Eligible Spouse (if any) who is entitled under the Salaried Plan to the pre-retirement spouse's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.3 (with the 409A Pension, if any, determined after application of Section 5.6). If pursuant to this Section 4.6(b) a Participant has Pre-Retirement Spouse's coverage in effect for his Eligible Spouse, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 90-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	.0%
35 — 39	.075%
40 — 44	.1%
45 — 49	.175%
50 — 54	.3%
55 — 59	.5%
60 — 64	.5%

4.7 Vesting: A Participant shall be fully vested in, and have a nonforfeitable right to, his Accrued Benefit at the time he becomes fully vested in his accrued benefit under the Salaried Plan.

4.8 Time of Payment: The distribution of a Participant's 409A Pension shall commence as of the time specified in Section 6.1, subject to Section 6.6.

4.9 Cashout Distributions: Notwithstanding the availability or applicability of a different form of payment under Article VI, the following rules shall apply in the case of certain small benefit Annuity payments:

(a) Distribution of Participant's Pension: If at a Participant's Annuity Starting Date the Actuarial Equivalent lump sum value of the Participant's PEP Pension is equal to or less than $15,000, the Plan Administrator shall distribute to the Participant such lump sum value of the Participant's PEP Pension.

(b) Distribution of Pre-Retirement Spouse's Pension Benefit: If at the time payments are to commence to an Eligible Spouse under Section 4.6, the Actuarial Equivalent lump sum value of the PEP Pre-Retirement Spouse's Pension to be paid is equal to or less than $15,000, the Plan Administrator shall distribute to the Eligible Spouse such lump sum value of the PEP Pre-Retirement Spouse's Pension.

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant or Eligible Spouse hereunder.

4.10 Reemployment of Certain Participants: In the case of a current or former Participant who is receiving his Pension as an Annuity under Section 6.1(b), and who is reemployed and is eligible to re-participate in the Salaried Plan after his Annuity Starting Date, payment of his 409A Pension will continue to be paid in the same form as it was paid prior to his reemployment. Any additional 409A Pension that is earned by the Participant shall be paid based on the Separation from Service that follows the Participant's re-employment.

4.11 Forfeiture of Benefits: Effective beginning with benefits accrued after December 31, 2008 ("Post-2008 Accruals"), and notwithstanding any other provision of this Plan to the contrary, if the Plan Administrator determines that a Participant has engaged in Prohibited

Misconduct at any time prior to the second anniversary of his or her Separation from Service, the Participant shall forfeit all Post-2008 Accruals (whether paid previously, being paid currently or payable in the future), and his or her 409A Pension shall be adjusted to reflect such forfeiture and previously paid Post-2008 Accruals shall be recovered.

ARTICLE V

Amount of Retirement Pension

When a 409A Pension becomes payable to or on behalf of a Participant under this Plan, the amount of such 409A Pension shall be determined under Section 5.1 or 5.3 (whichever is applicable), subject to any adjustments required under Sections 4.6(b) and 5.4.

5.1 Participant's 409A Pension:

(a) Calculating the 409A Pension: A Participant's 409A Pension shall be calculated as follows (on the basis specified in subsection (b) below and using the definitions appearing in subsection (c) below):

(1) His Total Pension, reduced by

(2) His Salaried Plan Pension, and then further reduced by (but not below zero)

(3) His Pre-409A Pension.

(b) Basis for Determining: The 409A Pension Benefit amount in subsection (a) above shall be determined on a basis that takes into account applicable reductions for early commencement and that reflects, as applicable, the relative value of forms of payment.

(c) Definitions: The following definitions apply for purposes of this section.

(1) A Participant's "Total Pension" means the greater of:

(i) The amount of the Participant's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of the Salaried Plan (relating to benefits that are deferred beyond the Participant's Normal Retirement Date); or

(ii) The amount (if any) of the Participant's PEP Guarantee determined under Section 5.2.

As necessary to ensure the Participant's receipt of a "greater of" benefit, the foregoing comparison shall be made by reflecting, as applicable, the relative value of forms of payment.

(2) A Participant's "Salaried Plan Pension" means the amount of the Participant's pension determined under the terms of the Salaried Plan.

(3) A Participant's "Pre-409A Pension" means the amount of the Participant's pension determined under Section 5.6.

5.2 PEP Guarantee: A Participant who is eligible under subsection (a) below shall be entitled to a PEP Guarantee benefit determined under subsection (b) below. In the case of other Participants, the PEP Guarantee shall not apply.

(a) Eligibility: A Participant shall be covered by this section if the Participant has 1988 pensionable earnings from an Employer of at least $75,000. For purposes of this section, "1988 pensionable earnings" means the Participant's remuneration for the 1988 calendar year, within the meaning of the Salaried Plan as in effect in 1988. "1988 pensionable earnings" does not include remuneration from an entity attributable to any period when that entity was not an Employer.

(b) PEP Guarantee Formula: The amount of a Participant's PEP Guarantee shall be determined under the applicable formula in paragraph (1), subject to the special rules in paragraph (2).

(1) Formulas: The amount of a Participant's Pension under this paragraph shall be determined in accordance with subparagraph (i) below. However, if the Participant was actively employed by the PepsiCo Organization in a classification eligible for the Salaried Plan prior to July 1, 1975, the amount of his Pension under this paragraph shall be the greater of the amounts determined under subparagraphs (i) and (ii), provided that subparagraph (ii)(B) shall not apply in determining the amount of a Vested Pension.

(i) Formula A: The Pension amount under this subparagraph shall be:

(A) 3 percent of the Participant's Highest Average Monthly Earnings for the first 10 years of Credited Service, plus

(B) 1 percent of the Participant's Highest Average Monthly Earnings for each year of Credited Service in excess of 10 years, less

(C) 1-2/3 percent of the Participant's Primary Social Security Amount multiplied by years of Credited Service not in excess of 30 years.

In determining the amount of a Vested Pension under this Formula A, the Pension shall first be calculated on the basis of (I) the Credited Service the

Participant would have earned had he remained in the employ of the Employer until his Normal Retirement Age, and (II) his Highest Average Monthly Earnings and Primary Social Security Amount at his Separation from Service, and then shall be reduced by multiplying the resulting amount by a fraction, the numerator of which is the Participant's actual years of Credited Service on his Separation from Service and the denominator of which is the years of Credited Service he would have earned had he remained in the employ of an Employer until his Normal Retirement Age.

(ii) Formula B: The Pension amount under this subparagraph shall be the greater of (A) or (B) below:

(A) 1-1/2 percent of Highest Average Monthly Earnings times the number of years of Credited Service, less 50 percent of the Participant's Primary Social Security Amount, or

(B) 3 percent of Highest Average Monthly Earnings times the number of years of Credited Service up to 15 years, less 50 percent of the Participant's Primary Social Security Amount.

In determining the amount of a Disability Pension under Formula A or B above, the Pension shall be calculated on the basis of the Participant's Credited Service (determined in accordance with Section 3.3(d)(3) of the Salaried Plan), and his Highest Average Monthly Earnings and Primary Social Security Amount at the date of disability.

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse, the Participant's Eligible Spouse shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's death. If the Eligible Spouse is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the actuarial equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre-Retirement Spouse's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse benefit, continuing for the life of the surviving spouse, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in a Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the elected Annuity without such protection.

(iii) Lump Sum Conversion: The amount of the Retirement Pension determined under this section for a Participant whose Retirement Pension will be distributed in the form of a lump sum shall be the actuarial equivalent of the Participant's PEP Guarantee determined under this section, taking into account the value of any survivor benefit under subparagraph (i) above and any early retirement reductions under subparagraph (ii)(A) above.

For purposes of this paragraph (2), actuarial equivalence shall be determined taking into account the PEP Guarantee's purpose to preserve substantially the value of a benefit under the pre-1989 terms of the Plan and the 409A Plan's design that offers alternative annuities that are considered actuarial equivalent for purposes of Section 409A (taking into account, without limitation, the special rule for subsidized joint and survivor annuities in Treasury Regulation § 1.409A-3(b)(ii)(C)).

5.3 <u>Amount of Pre-Retirement Spouse's 409A Pension</u>: The monthly amount of the Pre-Retirement Spouse's 409A Pension payable to a surviving Eligible Spouse under Section 4.6 shall be determined under subsection (a) below.

(a) <u>Calculation</u>: An Eligible Spouse's Pre-Retirement Spouse's 409A Pension shall be equal to:

(1) The Eligible Spouse's Total Pre-Retirement Spouse's Pension, <u>reduced by</u>

(2) The Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension, and then <u>further reduced by</u> (but not below zero)

(3) The Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A Program.

(b) <u>Definitions</u>: The following definitions apply for purposes of this section.

(1) An Eligible Spouse's "Total Pre-Retirement Spouse's Pension" means the greater of:

(i) The amount of the Eligible Spouse's pre-retirement spouse's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.5(d) of the Salaried Plan; or

(ii) The amount (if any) of the Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Spouse.

(2) An "Eligible Spouse's Salaried Plan Pre-Retirement Spouse's Pension" means the Pre-Retirement Spouse's Pension that would be payable to the Eligible Spouse under the terms of the Salaried Plan.

(3) An "Eligible Spouse's Pre-Retirement Spouse's Pension derived from the Pre-409A Program" means the Pre-Retirement Spouse's Pension that would be payable to the Eligible Spouse under the terms of the Pre-409A Program.

(c) PEP Guarantee Pre-Retirement Spouse's Pension: An Eligible Spouse's PEP Guarantee Pre-Retirement Spouse's Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Spouse's Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Spouse's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Spouse's Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(d)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Spouse's Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Spouse's 409A Pension under this section.

5.4 Certain Adjustments: Pensions determined under the foregoing sections of this Article are subject to adjustment as provided in this section. For purposes of this section, "specified plan" shall mean the Salaried Plan or a nonqualified pension plan similar to this Plan. A nonqualified pension plan is similar to this Plan if it is sponsored by a member of the PepsiCo Organization and if its benefits are not based on participant pay deferrals.

(a) Adjustments for Rehired Participants: This subsection shall apply to a current or former Participant who is reemployed after his Annuity Starting Date and whose benefit under the Salaried Plan is recalculated based on an additional period of Credited Service. In the event of any such recalculation, the Participant's PEP Pension shall also be recalculated hereunder to the maximum extent permissible under Section 409A. For this purpose and to the maximum extent permissible under Section 409A, the PEP Guarantee under Section 5.2 is adjusted for in-service distributions and prior distributions in the same manner as benefits are adjusted under the Salaried Plan, but by taking into account benefits under this Plan and any specified plans.

(b) Adjustment for Increased Pension Under Other Plans: If the benefit paid under a specified plan on behalf of a Participant is increased after PEP benefits on his behalf have been determined (whether the increase is by order of a court, by agreement of the plan administrator of the specified plan, or otherwise), then the PEP benefit for the Participant shall be recalculated to the maximum extent permissible under Section 409A. If the recalculation identifies an overpayment hereunder, the Plan Administrator shall take such steps as it deems advisable to recover the overpayment. It is specifically intended that there shall be no duplication of payments under this Plan and any specified plans to the maximum extent permissible under Section 409A.

5.5 Excludable Employment: An executive who has signed a written agreement with the Company pursuant to which the individual either (i) waives eligibility under the Plan (even if the individual otherwise meets the definition of Employee under the Plan), or (ii) agrees not to participate in the Plan, shall not thereafter become entitled to a benefit or to any increase in benefits in connection with such employment (whichever applies). Written agreements may be entered into either before or after the executive becomes eligible for or begins participation in the Plan, and such written agreement may take any form that is deemed effective by the Company. This Section 5.5 shall apply with respect to agreements that are entered into on or after January 1, 2009.

5.6 <u>Pre-409A Pension</u>: A Participant's Pre-409A Pension is the portion of the Participant's Pension that is grandfathered under Treasury Regulation § 1.409A-6(a)(3)(i) and (iv). Principles similar to those applicable under – (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-409A Pension under this section.

5.7 <u>Offset</u>: Notwithstanding any other provision of the Plan, the Company may reduce the amount of any payment or benefit that is or would be payable to or on behalf of a Participant by the amount of any obligation of the Participant to the Company that is or becomes due and payable, provided that (1) the obligation of the Participant to the Company was incurred during the employment relationship, (2) the reduction during any Plan Year may not exceed the amount allowed under Code Section 409A and (3) the reduction is made at the same time and in the same amount as the obligation otherwise would have been due and collectable from the Participant.

ARTICLE VI

Distribution of Benefits

The terms of this Article govern (i) the distribution of benefits to a Participant who becomes entitled to a 409A Pension, and (ii) the continuation of benefits (if any) to such Participant's beneficiary following the Participant's death. A Pre-Retirement Spouse's Pension derived from the 409A Program shall be payable as an Annuity for the life of the Eligible Spouse in all cases, subject to Section 4.9 (cashout distributions). The distribution of a Pre-409A Pension is governed by the terms of the Pre-409A Program.

6.1 Form and Timing of Distributions: Benefits under the 409A Program shall be distributed as follows:

(a) 409A Retirement Pension: The following rules govern the distribution of a Participant's 409A Retirement Pension:

(1) Generally: A Participant's 409A Retirement Pension shall be distributed as a Single Lump Sum on the first day of the month that is coincident with or next follows the Participant's Retirement Date, subject to paragraph (2) and Section 6.6 (delay for Key Employees).

(2) Prior Payment Election: Notwithstanding paragraph (1), a Participant who is entitled to a 409A Retirement Pension and who made an election (i) up to and including December 31, 2007, and (ii) at least six months prior to and in a calendar year prior to the Participant's Annuity Starting Date shall receive his benefit in accordance with such payment election. A payment election allowed a Participant to choose either (i) to receive a distribution of his benefit in an Annuity form, (ii) to commence distribution of his benefit at a time

other than as provided in paragraph 6.1(a)(1), or both (i) and (ii). A payment election made by a Participant who is only eligible to receive a Vested Pension on his Separation from Service shall be disregarded. Subject to Section 4.9 (cashouts), a Participant who has validly elected to receive an Annuity shall receive his benefit as a Qualified Joint and Survivor Annuity if he is married or as a Single Life Annuity if he is unmarried, unless he elects one of the optional forms of payment described in Section 6.2 in accordance with the election procedures in Section 6.3(a). A Participant shall be considered married if he is married on his Annuity Starting Date (with such Annuity Starting Date determined taking into account any election applicable under this subsection). To the extent a Participant's benefit commences later than it would under paragraph 6.1(a)(1) as a result of an election under this paragraph 6.1(a)(2), the Participant's benefit will be paid with interest equal to that specified in Section 2.1(b)(3), which interest shall be paid at the time elected by the Participant under this paragraph 6.1(a)(2).

(b) 409A Vested Pension: Subject to Sections 4.9, Section 6.6 and subsection (c) below, a Participant's 409A Vested Pension shall be distributed in accordance with paragraph (1) or (2) below, unless, in the case of a married Participant (as determined under the standards in paragraph 6.1(a)(2), above), he elects one of the optional forms of payment distributions in Section 6.2 in accordance with the election procedures in Section 6.3(a):

(1) Separation Prior to Age 55: In the case of a Participant who Separates from Service with at least five years of Service prior to attaining

age 55, the Participant’s 409A Vested Pension shall be distributed as an Annuity commencing on the first of the month that is coincident with or immediately follows the date he attains age 55, which shall be the Annuity Starting Date of his 409A Vested Pension. A distribution under this subsection shall be in the form of a Qualified Joint and Survivor Annuity if the Participant is married, or as a Single Life Annuity if he is not married. A Participant shall be considered married for purposes of this paragraph if he is married on the Annuity Starting Date of his 409A Vested Pension.

(2) Separation at Ages 55 Through 64: In the case of a Participant who Separates from Service with at least five years but less than ten years of Service and on or after attaining age 55 but prior to attaining age 65, the Participant’s 409A Vested Pension shall be distributed as an Annuity (as provided in paragraph (1) above) commencing on the first of the month that follows his Separation from Service.

(c) Disability Pension: The portion of a Participant’s 409A Disability Pension representing Pre-Separation Accruals shall be paid on the first day of the month following the later of (i) the Participant’s attainment of age 55 and (ii) the Participant’s Separation from Service. The available forms of payment for the portion of a Participant’s 409A Disability Pension representing Pre-Separation Accruals shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2, below (including the different forms available to a married versus an unmarried Participant). The portion of a Participant’s 409A Disability Pension representing Post-LTD Accruals shall be paid on the first day of the month following the Participant’s attainment of age 65 in a lump sum.

6.2 Available Forms of Payment: This section sets forth the payment options available to a Participant who is entitled to a Retirement Pension under paragraph 6.1(a)(2) above or a Vested Pension under subsection 6.1(b) above.

(a) Basic Forms: A Participant who is entitled to a Retirement Pension may choose one of the following optional forms of payment by making a valid election in accordance with the election procedures in Section 6.3(a). A Participant who is entitled to a Vested Pension and who is married on his Annuity Starting Date may choose one of the optional forms of payment available under paragraphs (1), 2(ii) or 2(iii) below with his Eligible Spouse as his beneficiary (and no other optional form of payment available under this subsection (a) shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension and who is not married on his Annuity Starting Date shall receive a Single Life Annuity. Each optional annuity is the actuarial equivalent of the Single Life Annuity:

(1) Single Life Annuity Option: A Participant may receive his 409A Pension in the form of a Single Life Annuity, which provides monthly payments ending with the last payment due prior to his death.

(2) Survivor Options: A Participant may receive his 409A Pension in accordance with one of the following survivor options:

(i) 100 Percent Survivor Option: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the same reduced amount shall continue after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(ii) <u>75 Percent Survivor Option</u>: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 75 percent of such reduced 409A Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death.

(iii) <u>50 Percent Survivor Option</u>: The Participant shall receive a reduced 409A Pension payable for life, ending with the last monthly payment due prior to his death. Payments in the amount of 50 percent of such reduced 409A Pension shall be continued after the Participant's death to his beneficiary for life, beginning on the first day of the month coincident with or following the Participant's death and ending with the last monthly payment due prior to the beneficiary's death. A 50 percent survivor option under this paragraph shall be a Qualified Joint and Survivor Annuity if the Participant's beneficiary is his Eligible Spouse.

(iv) <u>Ten Years Certain and Life Option</u>: The Participant shall receive a reduced 409A Pension which shall be payable monthly for his lifetime but for not less than 120 months. If the retired Participant dies before 120 payments have been made, the monthly 409A Pension amount shall be paid for the remainder of the 120 month period to the Participant's primary beneficiary (or if the primary beneficiary has predeceased the Participant, the Participant's contingent beneficiary).

(b) Inflation Protection: The following levels of inflation protection may be provided to any Participant who elects to receive all or a part of his 409A Retirement Pension as an Annuity:

(1) 5 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 5 percent. The amount of the increase shall be the difference between inflation in the prior year and 5 percent.

(2) 7 Percent Inflation Protection: A Participant's monthly benefit shall be initially reduced, but thereafter shall be increased if inflation in the prior year exceeds 7 percent. The amount of the increase shall be the difference between inflation in the prior year and 7 percent.

Benefits shall be subject to increase in accordance with this subsection each January 1, beginning with the second January 1 following the Participant's Annuity Starting Date. The amount of inflation in the prior year shall be determined based on inflation in the 12-month period ending on September 30 of such year, with inflation measured in the same manner as applies on the Effective Date for adjusting Social Security benefits for changes in the cost of living. Inflation protection that is in effect shall carry over to any survivor benefit payable on behalf of a Participant, and shall increase the otherwise applicable survivor benefit as provided above. Any election by a Participant to receive inflation protection shall be irrevocable by such Participant or his surviving beneficiary.

6.3 Procedures for Elections: This section sets forth the procedures for making Annuity Starting Date elections (*i.e.*, elections under Section 6.2). Subsection (a) sets forth the procedures for making a valid election of an optional form of payment under Section 6.2 and subsection (b) includes special rules for Participants with multiple Annuity Starting Dates. An election under this Article VI shall be treated as received on a particular day if it is: (i) postmarked that day, or (ii) actually received by the Plan Administrator on that day. Receipt under (ii) must occur by the close of business on the date in question, which time is to be determined by the Plan Administrator. Spousal consent is not required for an election to be valid.

(a) Election of an Optional Form of Payment: To be valid, an election of an optional form of Annuity under Section 6.2, for (i) a Participant's 409A Retirement Pension (if a proper election was made under paragraph 6.1(a)(2)) or (ii) a Participant's 409A Vested Terminated Pension, must be in writing, signed by the Participant, and received by the Plan Administrator at least one day prior to the Annuity Starting Date that applies to the Participant's Pension in accordance with Section 6.1. In addition, an election under this subsection must specify one of the optional forms of payment available under Section 6.2 and a beneficiary, if applicable, in accordance with Section 6.5 below. To the extent permitted by the Plan Administrator, an election made through electronic media shall be considered to satisfy the requirement for a written election, and an electronic affirmation of such an election shall be considered to satisfy the requirement for a signed election.

(b) Multiple Annuity Starting Dates: When amounts become payable to a Participant in accordance with Article IV, they shall be payable as of the Participant's Annuity Starting Date and the election procedures (in this section and Sections 6.1 and 6.5) shall apply to all of the Participant's unpaid accruals as of such Annuity Starting Date, with the following exception. In the case of a Participant who is rehired after his initial Annuity Starting Date and who (i) is currently receiving an Annuity that remained in pay status upon rehire, or (ii) was previously paid a lump sum distribution (other than a cashout distribution described in Section 4.9(a)), the Participant's subsequent Annuity Starting Date (as a result of his subsequent Separation from Service), and the election procedures at such subsequent Annuity Starting Date, shall apply only to the portion of his benefit that accrues after his rehire. Any prior accruals that remain to be paid as of the Participant's subsequent Annuity Starting Date shall continue to be payable in accordance with the elections made at his initial Annuity Starting Date.

6.4 Special Rules for Survivor Options: The following special rules shall apply for the survivor options available under Section 6.2.

(a) Effect of Certain Deaths: If a Participant makes an election under Section 6.3(a) to receive his 409A Retirement Pension in the form of an optional Annuity that includes a benefit for a surviving beneficiary under Section 6.2 and the Participant or his beneficiary (beneficiaries in the case of the optional form of payment in Section 6.2(a)(2)(iv)) dies prior to the Annuity Starting Date of such Annuity, the election shall be disregarded. If the Participant dies after this Annuity Starting Date but before his 409A Retirement Pension actually commences, the election shall be given effect and the amount payable to his surviving Eligible Spouse or other beneficiary shall commence on the first day of the month following his death (any back payments due the Participant shall be payable to his estate). In the case of a Participant who has elected the form of payment described in Section 6.2(a)(2)(iv), if such Participant: (i) dies after his Annuity Starting Date, (ii) without a surviving primary or contingent beneficiary, and (iii) before receiving 120 payments under the form of payment, then the remaining payments due under such form of payment shall be paid to the Participant's estate. If payments have commenced under such form of payment to a Participant's primary or contingent beneficiary and such beneficiary dies before payments are completed, then the remaining payments due under such form of payment shall be paid to such beneficiary's estate.

(b) Non-Spouse Beneficiaries: If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his non-spouse beneficiary is more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his non-spouse beneficiary is more than 19 years younger than he is.

6.5 Designation of Beneficiary: A Participant who has elected under Section 6.2 to receive all or part of his Retirement Pension in a form of payment that includes a survivor option shall designate a beneficiary who will be entitled to any amounts payable on his death. Such designation shall be made on the election form used to choose such optional form of payment or an approved election form filed under the Salaried Plan, whichever is applicable. In the case of the survivor option described in Section 6.2(a)(2)(iv), the Participant shall be entitled to name both a primary beneficiary and a contingent beneficiary. A Participant (whether active or former) shall have the right to change or revoke his beneficiary designation at any time prior to his Annuity Starting Date. The designation of any beneficiary, and any change or revocation thereof, shall be made in accordance with rules adopted by the Plan Administrator. A beneficiary designation shall not be effective unless and until filed with the Plan Administrator. If no beneficiary is properly designated and a Participant's elects a survivor's option described in Section 6.2(a)(2), the Participant's beneficiary shall be his Eligible Spouse. A Participant entitled to a Vested Pension does not have the right or ability to name a beneficiary; if the Participant is permitted under Section 6.2 to elect an optional form of payment, then his beneficiary shall be his Eligible Spouse on his Annuity Starting Date.

6.6 Required Delay for Key Employees: Notwithstanding Section 6.1 above, if a Participant is classified as a Key Employee upon his Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then distributions to the Participant shall commence as follows:

(a) Distribution of a Retirement Pension: In the case of a Key Employee Participant who is entitled to a 409A Retirement Pension, distributions shall commence on the earliest first of the month that is at least six months after the date the Participant Separates from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Retirement Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(b) Distribution of a Vested Pension. In the case of a Participant who is entitled to a 409A Vested Pension, distributions shall commence as provided in Section 6.1(b), or if later, on the earliest first of the month that is at least six months after the Participant's Separation from Service (or, if earlier, the Participant's death). For periods before 2009, commencement of distributions, however, shall not be delayed under the preceding sentence if the Participant's 409A Vested Pension commences at the same time as his pension under the Salaried Plan in accordance with Section 6.1(b)(3)(i).

(c) Interest Paid for Delay. Any payments to the Participant that are delayed in accordance with the provisions of this Section 6.6 shall be accumulated and paid as a lump sum payment, with interest equal to that specified in Section 2.1(b)(3), on the date payment occurs in accordance with subsection (a) or (b) above, whichever is applicable. If a Participant's beneficiary or estate is paid under subsection (a) or (b) above as a result of his death, then any payments that would have been made to the Participant and that were delayed in accordance with the provisions of this Section 6.6 shall be paid as otherwise provided in the Plan, with interest equal to that specified in Section 2.1(b)(3).

6.7 Payment of FICA and Related Income Taxes: As provided in subsections (a) through (c) below, a portion of a Participant's 409A Pension shall be paid as a single lump sum and remitted directly to the Internal Revenue Service ("IRS") in satisfaction of the Participant's FICA Amount and the related withholding of income tax at source on wages (imposed under Code Section 3401 or the corresponding withholding provisions of the applicable state, local or foreign tax laws as a result of the payment of the FICA Amount) and the additional withholding of income tax at source on wages that is attributable to the pyramiding of wages and taxes.

(a) Timing of Payment: As of the date that the Participant's FICA Amount and related income tax withholding are due to be deposited with the IRS, a lump sum payment equal to the Participant's FICA Amount and any related income tax withholding shall be paid from the Participant's 409A Pension and remitted to the IRS (or other applicable tax authority) in satisfaction of such FICA Amount and income tax withholding related to such FICA Amount. The classification of a Participant as a Key Employee (as defined in Section 2.1(t)) shall have no effect on the timing of the lump sum payment under this subsection (a).

(b) Reduction of 409A Pension. To reflect the payment of a Participant's FICA Amount and any related income tax liability, the Participant's 409A Pension shall be reduced, effective as of the date for payment of the lump sum in accordance with subsection (a) above, with such reduction being the Actuarial Equivalent of the lump sum payment used to satisfy the Participant's FICA Amount and related income tax withholding. It is expressly contemplated that this reduction may occur effective as of a date that is after the date payment of a Participant's 409A Pension commences.

(A) No Effect on Commencement of 409A Pension. The Participant's 409A Pension shall commence in accordance with the terms of this Plan. The lump sum payment to satisfy the Participant's FICA Amount and related income tax withholding shall not affect the time of payment of the

Participant’s actuarially reduced 409A Pension, including not affecting any required delay in payment to a Participant who is classified as a Key Employee.

ARTICLE VII

Administration

7.1 Authority to Administer Plan: The Plan shall be administered by the Plan Administrator, which shall have the authority to interpret the Plan and issue such regulations as it deems appropriate. The Plan Administrator shall maintain Plan records and make benefit calculations, and may rely upon information furnished it by the Participant in writing, including the Participant’s current mailing address, age and marital status. The Plan Administrator’s interpretations, determinations, regulations and calculations shall be final and binding on all persons and parties concerned. The Company, in its capacity as Plan Administrator or in any other capacity, shall not be a fiduciary of the Plan and any restrictions that apply to a party in interest under section 406 of ERISA shall not apply to the Company or otherwise under the Plan.

7.2 Facility of Payment: Whenever, in the Plan Administrator’s opinion, a person entitled to receive any payment of a benefit or installment thereof hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Plan Administrator may make payments to such person or to the legal representative of such person for his benefit, or the Plan Administrator may apply the payment for the benefit of such person in such manner as it considers advisable. Any payment of a benefit or installment thereof in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

7.3 Claims Procedure: The Plan Administrator shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Plan

Administrator decides in its discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Plan Administrator is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (i.e., the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Participant or beneficiary (a "claimant") is wholly or partially denied, the Plan Administrator, or a party designated by the Plan Administrator, will provide such claimant within the 90-day period following the receipt of the claim by the Plan Administrator, a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure (including the time limits applicable to such process and a statement of the claimant's right to bring a civil action under ERISA following a further denial on review).

If the Plan Administrator determines that special circumstances require an extension of time for processing the claim it may extend the response period from 90 to 180 days. If this occurs, the Plan Administrator will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Plan Committee expects to make the final decision. The claim review procedure is available upon written request by the claimant to the Plan Administrator, or the designated party, within 60 days after receipt by the claimant of written notice of the denial of the claim. Upon review, the Plan Administrator shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Plan Administrator comments, document, records and other information relevant to the claim and the Plan Administrator's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Plan Administrator expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request ad free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to his or her claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Plan Administrator at the time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section. Any notice or other notification that is required to be sent to a claimant under this section may be sent pursuant to any method approved under Department of Labor Regulation Section 2520.104b-1 or other applicable guidance.

7.4 Effect of Specific References: Specific references in the Plan to the Plan Administrator's discretion shall create no inference that the Plan Administrator's discretion in any other respect, or in connection with any other provision, is less complete or broad.

ARTICLE VIII

Miscellaneous

8.1 Nonguarantee of Employment: Nothing contained in this Plan shall be construed as a contract of employment between an Employer and any Employee, or as a right of any Employee to be continued in the employment of an Employer, or as a limitation of the right of an Employer to discharge any of its Employees, with or without cause.

8.2 Nonalienation of Benefits: Benefits payable under the Plan or the right to receive future benefits under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to benefits payable hereunder, including any assignment or alienation in connection with a divorce, separation, child support or similar arrangement, shall be null and void and not binding on the Company. The Company shall not in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to benefits hereunder.

8.3 Unfunded Plan: The Company's obligations under the Plan shall not be funded, but shall constitute liabilities by the Company payable when due out of the Company's general funds. To the extent the Participant or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Company.

8.4 Action by the Company: Any action by the Company under this Plan may be made by the Board of Directors of the Company or by the Compensation Committee of the Board of Directors, with a report of any actions taken by it to the Board of Directors. In addition, such action may be made by any other person or persons duly authorized by resolution of said Board to take such action.

8.5 Indemnification: Unless the Board of Directors of the Company shall determine otherwise, the Company shall indemnify, to the full extent permitted by law, any employee acting in good faith within the scope of his employment in carrying out the administration of the Plan.

8.6 Compliance with Section 409A:

(a) General: It is the intention of the Company that the Plan shall be construed in accordance with the applicable requirements of Section 409A. Further, in the event that the Plan shall be deemed not to comply with Section 409A, then neither the Company, the Board of Directors, the Plan Administrator nor its or their designees or agents shall be liable to any Participant or other person for actions, decisions or determinations made in good faith.

(b) Non-duplication of benefits: In the interest of clarity, and to determine benefits in compliance with the requirements of Section 409A, provisions have been included in this 409A Document describing the calculation of benefits under certain specific circumstances, for example, provisions relating to the inclusion of salary continuation during certain window severance programs in the calculation of Highest Average Monthly Earnings, as specified in Appendix C. Notwithstanding this or any similar provision, no duplication of benefits may at any time occur under the Plan. Therefore, to the extent that a specific provision of the Plan provides for recognizing a benefit determining element (such as pensionable earnings or service) and this same element is or could be recognized in some other way under the Plan, the specific provision of the Plan shall govern and there shall be absolutely no duplicate recognition of such element under any other provision of the Plan, or pursuant to the Plan's integration with the Salaried Plan. This provision shall govern over any contrary provision of the Plan that might be interpreted to support duplication of benefits.

8.7 Authorized Transfers: If a Participant transfers to an entity that is not part of the PepsiCo Organization, the liability for any benefits accrued while the Participant was employed by the PepsiCo Organization shall remain with the Company.

ARTICLE IX

Amendment and Termination

This Article governs the Company's right to amend and or terminate the Plan. The Company's amendment and termination powers under this Article shall be subject, in all cases, to the restrictions on amendment and termination in Section 409A and shall be exercised in accordance with such restrictions to ensure continued compliance with Section 409A.

9.1 Continuation of the Plan: While the Company and the Employers intend to continue the Plan indefinitely, they assume no contractual obligation as to its continuance. In accordance with Section 8.4, the Company hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall adversely affect the amount of benefit to which a Participant or his beneficiary is entitled under Article IV on the date of such amendment or termination, unless the Participant becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Company (except as necessary to comply with Section 409A). Specific forms of payment are not protected under the preceding sentence.

9.2 Amendments: The Company may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, including any amendment necessary to ensure continued compliance with Section 409A. An Employer (other than the Company) shall not have the right to amend the Plan.

9.3 Termination: The Company may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the Employees of the remaining Employers. Upon termination, the distribution of Participants' 409A Pensions shall be subject to restrictions applicable under Section 409A.

9.4 Change in Control: The Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (defined as provided in Section 409A), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution shall be made in connection with any Change in Control in the case of benefits that are derived from this 409A Program.

ARTICLE X

ERISA Plan Structure

This Plan document in conjunction with the plan document(s) for the Pre-409A Program encompasses three separate plans within the meaning of ERISA, as are set forth in subsections (a), (b) and (c). This division into separate plans became effective as of July 1, 1996; previously the plans set forth in subsections (b) and (c) were a single plan within the meaning of ERISA.

(a) Excess Benefit Plan: An excess benefit plan within the meaning of section 3(36) of ERISA, maintained solely for the purpose of providing benefits for Salaried Plan participants in excess of the limitations on benefits imposed by section 415 of the Code.

(b) Excess Compensation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides benefits for Salaried Plan participants in excess of the limitations imposed by section 401(a)(17) of the Code on benefits under the Salaried Plan (after taking into account any benefits under the Excess Benefit Plan). For ERISA reporting purposes, this portion of PEP may be referred to as the PepsiCo Pension Equalization Plan I.

(c) Preservation Top Hat Plan: A plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2) and 401(a)(1) of ERISA. The plan provides preserves benefits for those Salaried Plan participants described in section 5.2(a) hereof, by preserving for them the pre-1989 level of benefit accrual that was in effect before the Salaried Plan's amendment effective January 1, 1989 (after taking into account any benefits under the Excess Benefit Plan and Excess Compensation Top Hat Plan). For ERISA reporting purposes, this portion of PEP shall be referred to as the PepsiCo Pension Equalization Plan II.

Benefits under this Plan shall be allocated first to the Excess Benefit Plan, to the extent of benefits paid for the purpose indicated in (a) above; then any remaining benefits shall be allocated to the Excess Compensation Top Hat Plan, to the extent of benefits paid for the purpose indicated in (b) above; then any remaining benefits shall be allocated to the Preservation Top Hat Plan. These three plans are severable for any and all purposes as directed by the Company.

ARTICLE XI

Applicable Law

All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the provisions of ERISA. In the event ERISA is not applicable or does not preempt state law, the laws of the state of New York shall govern.

If any provision of this Plan is, or is hereafter declared to be, void, voidable, invalid or otherwise unlawful, the remainder of the Plan shall not be affected thereby.

ARTICLE XII

SIGNATURE

The above Plan is hereby adopted and approved, to be effective as of January 1, 2005, this 12th day of December, 2008.

PepsiCo, Inc.

By: /s/ Cynthia M. Trudell

APPROVED

By: /s/ Chris Bellanca
Law Department

By: /s/ Maryanne Bifulco
Tax Department

APPENDIX

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Participants and beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provision of the Plan, the Appendix shall govern.

APPENDIX ARTICLE A

Transition Provisions

A.1 Scope.

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008 (the “Transition Period”). The time period during which each provision in this Article A was effective is set forth below.

A.2 Transition Rules for Article II (Definitions).

(a) Actuarial Equivalent. In addition to the provisions provided in Article II for determining actuarial equivalence under the Plan, for the duration of the Transition Period, to determine the amount of a Pension payable in the form of a Qualified Joint and Survivor Annuity or optional form of survivor annuity, as an annuity with inflation protection, or as a Single Life Annuity, the Plan Administrator used the actuarial factors under the Salaried Plan.

(b) Key Employee. In addition to the provisions provided in Article II for identifying Key Employees, the following operating rules were in effect for the indicated time periods –

(1) Operating Rules for 2005. To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2005 Plan Year, the Company treated as Key Employees all Participants (and former Participants) classified (or grandfathered) for any portion of the 2005 Plan Year as Band IV and above.

(2) Operating Rules for 2006 and 2007. To ensure that the Company did not fail to identify any Key Employees, in the case of Separation from Service distributions during the 2006 Plan Year and 2007 Plan Year, the Company treated as Key Employees for such applicable Plan Year of their Separation from Service those individuals who met the provisions of (3) or (4) below (or both).

(3) The Company shall treat as Key Employees all Participants (and former Participants) who are classified (or grandfathered) as Band IV and above for any portion of the Plan Year prior to the Plan Year of their Separation from Service; and

(4) The Company shall treat as a Key Employee any Participant who would be a Key Employee as of his or her Separation from Service date based on the standards in this paragraph (4). For purposes of this paragraph (4), the Company shall determine Key Employees based on compensation (as defined in Code Section 415(c)(3)) that is taken into account as follows:

(A) If the determination is in connection with a Separation from Service in the first calendar quarter of a Plan Year, the determination shall be made using compensation earned in the calendar year that is two years prior to the current calendar year (*e.g.*, for a determination made in the first quarter of 2006, compensation earned in the 2004 calendar year shall be used); and

(B) If the determination is in connection with a Separation from Service in the second, third or fourth calendar quarter of a Plan Year, the determination shall be made using the compensation earned in the prior calendar year (*e.g.*, for a determination made in the second quarter of 2006, compensation earned in the 2005 calendar year shall be used).

A.3 Transition Rules for Article VI (Distributions):

409A Pensions that would have been paid out during the Transition Period under the provisions set forth in the main body of the Plan (but for the application of permissible transition rules under Section 409A) shall be paid out on March 1, 2009.

A.4 Transition Rules for Article VII (Administration):

Effective during the Transition Period, the language of Section 8.6(a) shall be replaced in its entirety with the following language:

"8.6(a) Compliance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of Section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.”

A.5 Transition Rules for Severance Benefits.

Effective during the Transition Period, the following provisions shall apply according to their specified terms.

(a) Definitions:

(1) Where the following words and phrases, in boldface and underlined, appear in this Section A.5 with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article A of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(2) “**Special Early Retirement**” shall mean the Participant’s attainment of at least age 50 but less than age 55 with 10 years of Elapsed Time Service as of the date of his Retirement, provided, however, that with respect to the 2008 Severance at Section A.5(d), for purposes of determining whether a Participant has met the age and service requirements, a Participant’s age and years of Elapsed Time Service are rounded up to the nearest whole year.

(b) 2005 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the same time as his Salaried Plan benefit. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Non-Retirement Eligible Employees with Payments in 2007: With respect to any Participant who terminated in 2005 as a result of a severance window program, who was not eligible for Retirement as of the date of his Separation from Service, and whose 409A Pension Payment would otherwise be paid during 2007, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document, provided, however, that the Participant's 409A Pension will be paid at the later of (i) January 1, 2007 or (ii) when the Participant attained age 55. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(3) Retirement Eligible Employees: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of February 5, 2006, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(4) Retirement Eligible Employees (With Credit): With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service as a result of being provided additional Credited Service time by the Company, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(5) Special Early Retirement Eligible: With respect to any Participant who terminated in 2005 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum.

(c) 2007 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document as of his Separation from Service, the Participant's 409A Pension shall be

paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Special Retirement Eligible Employees:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(5) Employees Who Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2007 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (5) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(d) 2008 Severance:

(1) Non-Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who was not eligible for Retirement as of the date of his Separation from Service, the Participant's 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(2) Retirement Eligible Employees: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the

Plan document as of his Separation from Service, the Participant's 409A Pension shall be paid on the first day of the month following the Participant's Separation from Service in a lump sum; provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, his 409A Pension shall be paid according to such election.

(3) Employee Who Become Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements for either a Normal or Early Retirement Pension under Article IV of the Plan document between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 and (ii) his Separation from Service; the 409A Pension shall be paid as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (3) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the later of (i) Participant's attainment of age 55 or (ii) the Participant's Separation from Service.

(4) Employees Who Are or Become Special Retirement Eligible:

(i) 409A Pension: With respect to any Participant who terminated in 2008 as a result of a severance window program and who fulfilled the requirements to be eligible for Special Early Retirement as of his Separation from Service or during the period between his Separation from Service and the last day of his paid leave of absence (if any), the Participant's 409A Pension shall be paid on the first day of the month following the Participant's attainment of age 55 as a Vested Pension under Section 6.1(b) of the Plan document. The available forms of payment shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2 of the Plan document.

(ii) PEP Kicker: Any amount paid to a Participant otherwise described under this paragraph (4) as a replacement for benefits that the Participant could have earned under the Plan but for his Separation from Service shall be paid as a single lump sum, provided, however, that if a Participant made a valid Prior Payment Election under Section 6.1(a)(2) of the Plan document, the amounts described in this subparagraph (ii) shall be paid according to such election. All amounts to be paid shall be paid on the first day of the month following the Participant's attainment of age 55.

(e) Delay for Key Employees: To the extent that a Participant is a Key Employee (as defined in Section A.2(b), above) with respect to any payment provided under this Section A.5, and to the extent that payment of his 409A Pension is on account of his Separation from Service, his 409A Pension shall be subject to the delay in payment provided under Section 6.6 of the main Plan document.

(f) Compliance with 19(c): All payments that are to be made under this Section A.5 were scheduled to made during the calendar year in which the Participant terminated employment, with payments to be made as provided herein. All elections made by the Company with respect to such payments were made in compliance with Notice 2005-1 and other provisions of Code Section 409A.

A.6 Certain Participants

The following transition rules shall apply only with respect to the following described Participants:

(a) A Participant's PEP Credited Service shall be deemed to be five years if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years. A Participant shall be deemed to be vested for purposes of this Plan if the Participant terminates employment in 2005 while classified as Band VI (or equivalent), and his employment with an Employer was for a limited duration assignment of less than five years.

(b) In the case of a Participant who on October 9, 2007 selects an Annuity Starting Date of November 1, 2007 for the Participant's Pension under the Salaried Plan which is payable in a single lump sum (after taking into account the special rule in Section 6.3(a)(2), if necessary), the portion of the Participant's benefit under the Plan that is not subject to Section 409A of the Code shall be paid in a single lump sum six months after the Participant's Annuity Starting Date under the Salaried Plan.

(c) In the case of a Participant who on September 3, 2004 selects a fixed date of payment of February 1, 2005 for the Participant’s Pension under the Plan, the following provisions shall apply:

(1) such fixed date shall be the commencement date for the Participant’s benefit under the Plan, and

(2) the calculation of the Participant’s benefit under the Plan shall be made taking into account service to be performed during any period for which the Participant is to provide consulting services to the Company, even if such services are to be performed after the payment date specified in paragraph (1).

APPENDIX ARTICLE B

Computation of Earnings and Service During Certain Severance Windows

B.1 Definitions:

Where the following words and phrases, in boldface and underlined, appear in this Appendix C with initial capitals they shall have the meaning set forth below, unless a different meaning is plainly required by the context. Any terms used in this Article B of the Appendix with initial capitals and not defined herein shall have the same meaning as in the main Plan, unless a different meaning is plainly required by the context.

(a) "**Severance Program**" shall mean a program providing certain severance benefits that are paid while the program's participants are on a severance leave of absence that is determined by the Plan Administrator to qualify for recognition as Service under Section B.3 and Credited Service under Section B.4 of Article B.

(b) "**Eligible Bonus**" shall mean an annual incentive payment that is payable to the Participant under the Severance Program and that is identified under the terms of the Severance Program as eligible for inclusion in determining the Participant's Highest Average Monthly Earnings.

B.2 Inclusion of Salary and Eligible Bonus:

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit pursuant to a Severance Program, all salary continuation and any Eligible Bonus earned or to be earned during the first 12 months of a leave of absence period provided to the Participant under such Severance Program will be counted toward the Participant's Highest Average Monthly Earnings, even if such salary or other earnings are to be received after a Participant's Separation from Service. In particular, if payment of a Participant's 409A Pension is to be made at Separation from Service and prior to the Participant's receipt of all of the salary continuation or Eligible Bonus that is payable to the Participant from the Severance Program, the Participant's Highest Average Monthly Earnings shall be determined by taking into account the full salary continuation and eligible bonus that is projected to be payable to the Participant during the first 12 months of a period of leave of absence that is granted to the Participant under the Severance Program.

B.3 Inclusion of Credited Service:

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Credited Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Credited Service for purposes of determining the Participant's Pension and a Pre-Retirement Spouse's Pension, even if the period of time counted as Credited Service under the Severance Program occurs after a Participant's Separation from Service.

B.4 Inclusion of Service:

The Plan Administrator may specify that, pursuant to a Participant's participation in a severance window program provided by the Company, if a Participant receives a severance benefit under a Severance Program, all Service earned or to be earned during the first 12 months of the period of severance will be counted toward the Participant's Service for purposes of determining the Participant's Pension and a Pre-Retirement Spouse's Pension, even if the period of time counted as Service under the Severance Program occurs after a Participant's Separation from Service.

B.5 Reduction to Reflect Early Payment:

If the Participant receives either (1) additional Credited Service or (2) additional earnings that are included in Highest Average Monthly Earnings under Sections B.2 or B.3 of this Article B, as a result of a severance benefit provided under a Severance Program and such additional Credited Service or earnings are included in the calculation of the Participant's Pension prior to the time that the Credited Service is actually performed by the Participant, or the earnings are actually paid to the Participant, the Pension paid to the Participant shall be adjusted actuarially to reflect the receipt of the portion of the Pension attributable to such Credited Service or earnings received on account of the Severance Program prior to the time such Credited Service is performed or such earnings are actually paid to the Participant. For purposes of determining the adjustment to be made, the Plan shall use the rate provided under the Salaried Plan for early payment of benefits.

APPENDIX ARTICLE C

International Transfer Participants

C.1 Scope:

This Article provides special rules for calculating the benefit of an individual who is an "International Transfer Participant" under Section C.2 below. The benefit of an International Transfer Participant shall be determined under Section C. 3 below, subject to Section C.4 below. Once a benefit is determined for an International Transfer Participant under this Article, such benefit shall be subject to the Plan's normal conditions and shall be paid in accordance with the Plan's normal terms. All benefits paid under this Article are subject to Code section 409A, including those accrued prior to January 1, 2005. This Article is effective April 1, 2007.

C.2 International Transfer Participants:

An International Transfer Participant is a Participant who is:

(a) General Rule: An individual who, following a transfer to an April 2007 Foreign Subsidiary (as defined under Section 2.1(r)(5) of the Salaried Plan), would qualify as an Employee within the meaning of Section 2.1(q)(2)(vi) of the Salaried Plan (U.S. citizen or resident alien on qualifying temporary international assignment) but for the fact that his assignment with the April 2007 Foreign Subsidiary is in a position of employment that is classified as Band 4 (or its equivalent) or higher; or

(b) Special Rule for Certain Permanent Assignments to Mexico: Notwithstanding subsection (a) above, an International Transfer Participant also includes an individual who was transferred to an April 2007 Foreign Subsidiary based in Mexico, and who would qualify as an Employee within the meaning of Section 2.1(q)(2)(vi) of the Salaried Plan but for the fact that:

(1) His assignment with the April 2007 Foreign Subsidiary is in a position that is classified as Band 4 (or its equivalent) or higher;

(2) Mexico is his home country on the records of the Expat Centre for Excellence group or its successor (in accordance with Section 2.1(q)(2)(vi) of the Salaried Plan); and

(3) The duration of his assignment with the April 2007 Foreign Subsidiary in Mexico is not limited to 5 years or less.

An individual described in subsection (a) or (b) above may still qualify as an International Transfer Participant if his transfer to an April 2007 Foreign Subsidiary occurred prior to April 1, 2007 (the effective date of this Article), provided he satisfied the terms of subsection (a) or (b) above on the date of his transfer.

C.3 Benefit Formula for International Transfer Participants:

Except as provided in this Section C.3, an International Transfer Participant's benefit under the Plan shall be determined using a calculation methodology that is substantially similar to that which applies under Section 5.1 of the Plan.

(c) Total Pension for International Transfer Participant: Notwithstanding the preceding sentence, an International Transfer Participant's "Total Pension" (as defined in Section 5.1(c)(1) of the Plan) shall be calculated as if he continued to receive Credited Service and Earnings under the Salaried Plan while working for the April 2007 Foreign Subsidiary to which he transferred following his employment with an Employer based in the United States, without regard to the actual date on which he ceased receiving Credited Service and Earnings under the Salaried Plan. However, the Total Pension of an International Transfer Participant whose transfer to an April 2007 Foreign Subsidiary occurred prior to 1992 shall not take into account Credited Service and Earnings for employment with the April 2007 Foreign Subsidiary prior to 1992.

(d) Calculation of International Transfer Participant's Benefit: The International Transfer Participant's benefit under the Plan shall be calculated by reducing his Total Pension as determined under subsection (a) above (expressed as a lump sum as of his benefit commencement date under the Plan) by the following amounts:

(1) The amount of his actual benefit under the Salaried Plan (expressed as a lump sum amount on his benefit commencement date), and

(2) Any amounts paid to him from a "qualifying plan" as that term is defined under Section 3.6(c)(4) of the Salaried Plan (Transfers and Non-Duplication) with respect to his assignment with the April 2007 Foreign Subsidiary (with such amounts expressed as a lump sum on his benefit commencement date under this Plan).

C.4 Alternative Arrangements Permitted:

Notwithstanding any provision of this Article or the Plan to the contrary, the Company and a Participant who would qualify as an International Transfer Participant under Section C.2 above may agree in writing to disregard the provisions of this Article in favor of another mutually agreed upon benefit arrangement under the Plan, in which case this Article shall not apply.

PEPSICO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges [(a)]
Years Ended December 27, 2008, December 29, 2007, December 30, 2006,
December 31, 2005 and December 25, 2004
(in millions except ratio amounts)

	2008	2007	2006	2005	2004
Earnings:					
Income before income taxes – continuing operations	**$7,021**	$7,631	$6,989	$6,382	$5,546
Unconsolidated affiliates interests, net	**(165)**	(358)	(311)	(320)	(289)
Amortization of capitalized interest	**4**	5	6	7	7
Interest expense	**329**	224	239	256	167
Interest portion of net rent expense [(b)]	**119**	101	97	76	82
Earnings available for fixed charges	**$7,308**	$7,603	$7,020	$6,401	$5,513
Fixed Charges:					
Interest expense	**$ 329**	$ 224	$ 239	$ 256	$ 167
Capitalized interest	**14**	21	16	5	2
Interest portion of net rent expense [(b)]	**119**	101	97	76	82
Total fixed charges	**$ 462**	$ 346	$ 352	$ 337	$ 251
Ratio of Earnings to Fixed Charges	**15.82**	22.01	19.99	19.03	22.00

(a) Based on unrounded amounts.
(b) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 14

WORLDWIDE CODE OF CONDUCT

Dear Fellow Associates:

PepsiCo has consistently led the industry with outstanding financial performance – and we can rightfully take pride in our accomplishments. Like all winning teams, we are constantly asking ourselves, "How do the best get even better?" The answer is to deliver Performance with Purpose: our vision to take PepsiCo's foundation of strength and build on it to create a company that both generates healthy financial returns and improves the lives of our consumers, our employees and our communities.

To do better by doing better, we must start with our Values and our Code of Conduct. This means delivering superior financial performance the right way, achieving results with integrity, building trust with one another and all of our stakeholders – with our Values and our Code at the center of everything we do. Our commitment to applying our Values and the Code of Conduct to all aspects of our business is critical to delivering world-class performance … and doing so with a larger purpose that makes a difference to the world we share.

My intent is that this Code of Conduct will help guide each of us as we work toward living our Values and making Performance with Purpose a reality. These indispensable tools serve as our unshakeable foundation.

Thank you for your support and your personal engagement in ensuring that PepsiCo remains a high-integrity company that delivers consistently strong performance the right way.

Indra Nooyi
Chairman and Chief Executive Officer

INTRODUCTION

PepsiCo's mission is to be the world's premier consumer products company focused on convenient foods and beverages. We seek to produce healthy financial rewards to investors as we provide opportunities for growth and enrichment to our employees, our business partners and the communities in which we operate. In everything we do, we strive to act with honesty, fairness and integrity and to obey the laws and regulations of the countries where we do business.

This Code of Conduct applies to PepsiCo, its subsidiaries throughout the world, joint ventures over which PepsiCo has management control and to every employee, officer and director of these companies.

RESPECT FOR OUR EMPLOYEES

We believe our most important strength is our employees. We seek to provide a work environment where all employees have the opportunity to reach their full potential and contribute to PepsiCo's success. We emphasize personal integrity and believe long-term results are the best measure of an employee's performance.

PepsiCo respects the human rights and the dignity of all employees. We endeavor to treat our employees fairly and honestly. We strive to maintain a safe, secure and healthy workplace and it is against our policy to use forced or child labor. We also strive to follow all applicable employment laws and regulations.

We are committed to equal opportunity in all aspects of employment for employees and applicants. This means providing a workplace free from any form of discrimination or harassment, including sexual harassment. We seek to create a work environment where people feel comfortable and respected, regardless of individual differences, talents or personal characteristics. Our objective is for the diversity of our employees to reflect the diversity of the population wherever we operate and for the performance of all employees to be judged fairly and based on their contribution to our results.

PepsiCo encourages an inclusive culture, which enables all employees to do their best. This means we:

- Welcome and embrace the strengths of our differences,

- Treat each other with respect and fairness, and
- Foster an atmosphere of trust, open communications and candor.

We recognize the needs of individuals to achieve professional and personal balance in their lives. We also respect employee privacy and will acquire and retain only that employee personal information that is required for operation of the Company's business or required by law.

CONSUMERS, CUSTOMERS, SUPPLIERS AND COMPETITORS

We are committed to the continuation of free enterprise and the legal and regulatory frameworks that support it. Therefore, we recognize the importance of laws that prohibit restraints of trade, predatory economic activities and unfair, deceptive or unethical business practices.

In all of our business dealings with consumers, customers, suppliers and competitors, we will:

- Avoid any unfair or deceptive practice and always present our services and products in an honest and forthright manner.
- Treat all customers and suppliers honestly, fairly and objectively.
- Select suppliers based on merit, and make clear to all suppliers that we expect them to compete fairly and vigorously for our business.
- Compete vigorously and with integrity.
- Never comment on a competitor's product without a good basis for such statements.
- Comply with all competition laws, including those prohibiting agreements or understandings with competitors to fix prices or other sales terms, coordinate bids or divide sales territories, customers or product lines. These types of agreements with competitors are generally illegal in the United States and many other markets where we conduct business.

GLOBAL RELATIONS

PepsiCo firmly believes that international commerce strengthens stability and peace by fostering economic growth, opportunity and mutual understanding. As a global enterprise, we recognize our responsibility to act in concert with the legitimate interests of the countries in which we do business. We will obey all applicable laws and regulations of our host countries. Our objective is to be a good corporate citizen wherever we operate.

BUSINESS GIFTS AND ENTERTAINMENT

Our business decisions are made on merit. Therefore, we will never give or offer, directly or indirectly, anything of value to a third party, including a government official, political party or candidate, to corruptly influence that person's business decision or gain an unfair advantage. We will observe PepsiCo's International Anti-Bribery Policy at all times.

Giving gifts or entertainment to governmental officials is highly regulated and often prohibited. Such gifts and entertainment should not be provided unless you have received Law Department approval.

Gifts or entertainment given to or received from customers or suppliers must never influence, or appear to influence, business decisions. There must be a legitimate business purpose for any business gift or entertainment, it must be in good taste and it must be consistent with the law, with the giver's and receiver's policies, PepsiCo's policies and your function/division policies (including the Travel and Entertainment Policy). If business gifts are permitted under your function/division policies, they must be nominal in value and frequency. Customer and supplier meals and entertainment must be reasonable in cost and frequency and consistent with guidelines established by PepsiCo or your function/division.

HEALTH AND SAFETY

PepsiCo is committed to providing safe and healthy work environments at its facilities for all its employees, visitors, contractors and vendors. It is our policy to provide employees with a drug-free workplace. In order to create an environment free from threats, violence and intimidation, we are committed to a policy of zero tolerance for violence.

We are dedicated to designing, constructing, maintaining and operating facilities that protect our people and physical resources. It is our policy to comply with all applicable health and safety laws and regulations, provide and require the use of adequate protective equipment and measures, and insist that all work be done in a safe and responsible manner. It is the responsibility of each employee to follow all Company policies and procedures related to workplace health and safety.

ENVIRONMENT

PepsiCo is committed to being an environmentally responsible corporate citizen. We are committed to minimizing the impact of our businesses on the environment with methods that are socially responsible, scientifically based and economically sound. We encourage conservation, recycling and energy use programs that promote clean air and water, reduce landfill wastes and replenish the planet's natural resources. We will follow applicable environmental laws and regulations in the countries where we operate.

POLITICAL AND COMMUNITY ACTIVITIES AND CONTRIBUTIONS

PepsiCo believes in contributing to society and encourages employees to participate in community activities.

We will continue to communicate information and opinions on issues of public concern that may affect PepsiCo. Decisions by our employees whether or not to contribute time, money or resources of their own to any political or community activity are entirely personal and voluntary.

We will obey all laws in promoting the Company's position to government authorities and in making political contributions. Contributions by the Company to political candidates may be prohibited or regulated. Any such contribution requires the approval of PepsiCo's Vice President of Public Policy and Government Affairs.

CONFLICTS OF INTEREST

PepsiCo's conflicts of interest policy is straight-forward: Don't compete with PepsiCo businesses, and never let your business dealings on behalf of any of our businesses be influenced, or appear to be influenced, by personal or family interests.

All actual or apparent conflicts of interest between personal and professional relationships must be handled honestly and ethically. You must disclose any potential conflict of interest to your supervisor as soon as you become aware of it.

Examples of conflicts that must be disclosed and resolved include:

- Receiving any financial or personal benefit either yourself or through a family member from a company that does or seeks to do business with PepsiCo.
- Having more than a nominal equity interest in a competitor or in a company that does or seeks to do business with PepsiCo (for example, ownership of more than 1% of a supplier's stock).
- Serving on the board of directors or providing consulting services to a company that does or seeks to do business with PepsiCo.
- Owning property (such as real estate or patent rights) that PepsiCo may be interested in acquiring or leasing.
- Having outside business interests that could affect your job performance because of the amount of time and attention diverted from your responsibilities to PepsiCo.

CONFIDENTIAL INFORMATION AND INSIDER TRADING

While engaged in PepsiCo business, you may receive or learn of confidential, competitively sensitive or proprietary information that has not been disclosed to the public. Confidential or proprietary information includes all nonpublic information that, if disclosed, might be of use to competitors or might be harmful to PepsiCo, our suppliers or our customers.

You always have a duty to protect the confidential information of PepsiCo and our business partners. You may not disclose confidential information to anyone outside PepsiCo, even to members of your own family, unless there is a clear business need to do so, the party receiving the information has signed a confidentiality agreement committing to maintain the information's confidentiality and you believe that the disclosure will not harm or embarrass PepsiCo or its business partners.

PepsiCo obeys all laws with respect to the disclosure of material, non-public information. Information is considered material if a reasonable investor would consider it important to his or her decision to buy or sell PepsiCo stock. Examples of material information include: a significant upward or downward revision of earnings forecasts; a significant division restructuring; a major management change; a significant acquisition or divestiture; a significant upcoming product launch or product innovation. Employees should not trade in PepsiCo securities or the securities of another company involved with PepsiCo while they have material, non-public information about PepsiCo or that company. In addition, employees should not disclose material, non-public information about PepsiCo or another company to anyone outside the Company, including family members.

ACCOUNTS AND RECORD-KEEPING

We will continue to observe the most stringent standards in the keeping of our financial records and accounts. Our books and records must reflect all components of transactions, as well as our own standard of insisting upon an honest and forthright presentation of the facts.

We will ensure that the disclosures we make in reports and documents that we submit to the Securities and Exchange Commission and in other public communications are full, fair, accurate, timely and understandable.

It is the responsibility of each employee to uphold these standards. Appropriate records must be kept of all transactions and retained in accordance with PepsiCo's Records Management Policy and Records Retention Schedule. Employees are expected to cooperate fully with our internal and external auditors. Information must not be falsified or concealed under any circumstance, and an employee whose activities cause false financial reporting will be subject to disciplinary action, including termination.

PROTECTION AND PROPER USE OF COMPANY ASSETS

PepsiCo's technological resources, including computers, voicemail, e-mail and Internet access, are to be used for proper purposes in a manner consistent with the Code and all other Company policies, including those related to discrimination, harassment and intellectual property. As with all PepsiCo assets, these resources are to be used for business purposes.

It is generally not PepsiCo's intent to monitor Internet access or messages on the voicemail and e-mail systems. However, the Company reserves the right to do so in appropriate circumstances, consistent with applicable laws and regulations.

If you have access to PepsiCo information systems, you are responsible for taking the precautions necessary to prohibit unauthorized access to the system. You should safeguard your passwords or other means of entry.

Employees must not reproduce software assets licensed to PepsiCo, use illegally obtained software or distribute the original software media or unauthorized copies of software which the Company does not own or license.

REPORTING POTENTIAL VIOLATIONS OF THE CODE OF CONDUCT

PepsiCo expects its employees, contractors, agents, customers and suppliers to promptly report any conduct or situation that she/he believes conflicts with this Code or violates a local, state or federal law to their immediate supervisor, Human Resources or through the PepsiCo Speak Up line at:

1-866-729-4888 (from the U.S., Canada, Puerto Rico and U.S. Virgin Islands)

For a list of phone numbers for all other countries, go to:
http://www.pepsico.com/PEP_Citizenship/CodeofConduct/SpeakUp/index.cfm

Reports can be made anonymously, and the Speak Up line is available toll-free 24 hours a day. PepsiCo is committed to reviewing any report made in good faith in a prompt manner and taking remedial action when appropriate. Every affected employee is required to fully cooperate with any inquiry that results from any reported conduct or situation.

PepsiCo is also committed to protecting the rights of those individuals who report these issues to PepsiCo. Any PepsiCo employee who is found to have engaged in retaliation against any employee who has exercised his/her rights under this Code or under applicable laws will be subject to appropriate remedial action. In addition, those individuals who violate applicable law may also be subject to civil and criminal penalties.

RESPONSIBILITY FOR COMPLIANCE

All employees are expected to display responsible and ethical behavior, to follow consistently both the meaning and intent of this Code and to act with integrity on a daily basis. Managers and leaders are expected to ensure that our business processes and practices reinforce the Code, to serve as positive role models by establishing and adhering to high ethical standards, and to create an ethical culture by encouraging and rewarding actions that are consistent with the Code.

This Code cannot provide definitive answers to all questions. For that, we must rely on each person's judgment and integrity. You are encouraged to seek guidance when a situation may not be clear. Your supervisor, Human Resources manager or the PepsiCo Law Department will respond to questions and issues of interpretation about this Code.

Waivers of this Code will be reviewed by the General Auditor and General Counsel, and in certain circumstances by the Board of Directors, and if required, will be appropriately disclosed.

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Ahmedabad Advertising and Marketing Company Ltd.	India
Alcasa S. A.	Chile
Alegro Internacional, S. de R. L. de C.V.	Mexico
Alimentos del Istmo S. A.	Panama
Alimentos Quaker Oats y Compania Limitada	Guatemala
Alpac Corporation	United States
Anderson Hill Insurance Limited	Bermuda
Aradhana Carbonated Beverages Private Ltd.	India
Aradhana Convenience Foods Private Limited	India
Aradhana Drinks and Beverages Private Limited	India
Aradhana Foods and Juices Private Limited	India
Aradhana Snack Food Company	India
Aradhana Soft Drinks Company	India
BAESA Capital Corporation Ltd.	Cayman Islands
Balwerk VI - Consultadoria Economica e Participacoes Sociedade Unipessoal, Lta.	Portugal
Beaman Bottling Company	United States
Beijing Pepsi-Cola Beverage Company Limited	China
Bell Taco Funding Syndicate	Australia
Beverage Service Ltd.	Bermuda
Beverage Services, Inc.	United States
Beverages, Foods & Service Industries, Inc.	United States
Blaue NC, S. de R. L. de C.V.	Mexico
Bluebird Foods Limited	New Zealand
Bluejay Holdings LLC	United States
Boquitas Fiestas LLC	United States
Boquitas Fiestas S.R.L.	Honduras
Border Properties, Inc.	United States
Bosso Holdings, LLC	United States
Bottling Investment Chile	Bahamas
Brading Holding S.a.r.l.	Luxembourg

NAME OF ENTITY	JURISDICTION
Bramshaw Limited	Ireland
Breckinridge, Inc.	United States
BUG de Mexico, S.A. de C.V.	Mexico
BUG Holdings S. de R.L. de C.V.	Mexico
Cane Investments S.a. r.l	Luxembourg
Capital Services Associates	Netherlands Antilles
Caroni Investments, LLC	United States
Changchun Pepsi-Cola Beverage Company Limited	China
Changsha Pepsi-Cola Beverage Company Limited	China
China Bottlers (Hong Kong) Limited	Hong Kong
China Concentrate Holdings (Hong Kong) Limited	Hong Kong
Chipiga, S. de R. L. de C.V.	Mexico
Chipsy for Food Industries S.A.E.	Egypt
Chipsy International SAE	Egypt
Chitos International y Cia Ltd.	Guatemala
Chongqing Pepsi Tianfu Beverage Company Limited	China
CMC Investment Company	Bermuda
Comercializadora Nacional SAS, Ltda.	Colombia
Comercializadora Snacks SAS, Ltda.	Venezuela
Concentrate Manufacturing (Singapore) Pte. Ltd.	Singapore
Copella Fruit Juices Limited	United Kingdom
Copper Beech International, LLC	United States
Corina Snacks	Cyprus
Corporativo Internacional Mexicano, S. de R.L. de C.V.	Mexico
Dark Green Australia Pty Limited	Australia
Davlyn Realty Corporation	United States
Defosto Holdings Limited	Cyprus
Delaware Business Trust	United States
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.	Mexico
Distribuidora Savoy Guatemala S.A.	Guatemala
Donon Holdings Limited	Cyprus
Doritos Australia One Pty Limited	Australia

NAME OF ENTITY	JURISDICTION
Doritos Australia Two Pty Limited	Australia
Duo Juice Company	United States
Duo Juice Company BV	Netherlands
Dutch Snacks Holding, S.A. de C.V.	Mexico
Duyvis B.V.	Netherlands
Duyvis Production B.V.	Netherlands
Elaboradora Argentina de Cereales, S.R.L.	Argentina
Equipos Y Deportes Exclusivos, S.A. de C.V.	Mexico
Eridanus Investments S.a.r.L.	Luxembourg
Euro Juice G.m.b.H. Import and Vertrieb	Germany
Evercrisp Snack Productos de Chile S.A.	Chile
Fabrica de Productos Alimentocios Rene y Compania SCA	Guatemala
Fabrica de Productos Rene LLC	United States
Far East Bottlers (Hong Kong) Limited	Hong Kong
Farm Produce (Australia) Pty. Ltd.	Australia
Fester Industria Alimenticia Ltda.	Brazil
FL Transportation, Inc.	United States
FLI Andean, LLC	United States
FLI Colombia, LLC	United States
FLI Snacks Andean GP, LLC	United States
FLRC, Inc.	United States
Frito Lay de Guatemala, Sociedad de Responsabilidad Limitada	Guatemala
Frito Lay Sp. Zo.o.	Poland
Frito-Lay Australia Holdings Pty Ltd.	Australia
Frito-Lay Columbia Ltda.	Colombia
Frito-Lay de Venezuela, C.A.	Venezuela
Frito-Lay Dip Company, Inc.	United States
Frito-Lay Dominicana S.A.	Dominican Republic
Frito-Lay Foods	United Kingdom
Frito-Lay France SA	France
Frito-Lay Gida Sanayi Ve Ticaret A.S.	Turkey

NAME OF ENTITY	JURISDICTION
Frito-Lay Holdings CV	Netherlands
Frito-Lay Holdings Limited	United Kingdom
Frito-Lay Investments B.V.	Netherlands
Frito-Lay Manufacturing OOO	Russia
Frito-Lay Netherlands Holdings B.V.	Netherlands
Frito-Lay North America, Inc.	United States
Frito-Lay Poland Sp.z.o.o.	Poland
Frito-Lay RFLS Holdings, Inc.	United States
Frito-Lay Sales, Inc.	United States
Frito-Lay (Hungary) Trading and Manufacturing Limited Liability Company	Hungary
Frito-Lay Trading Company (Europe) GmbH	Switzerland
Frito-Lay Trading Company (Poland) GmbH	Switzerland
Frito-Lay Trading Company GmbH	Switzerland
Frito-Lay Trinidad Unlimited	Tabago
Frito-Lay, Inc.	United States
Froooties Limited	United Kingdom
Fundacion Frito Lay de Guatemala	Guatemala
Fundacion Gamesa Quaker, A.C.	Mexico
Fundacion Sabritas, A.C.	Mexico
Gamesa LLC	United States
Gamesa, S. de R.L. de C.V.	Mexico
Gas Natural de Merida, S.A. de C.V.	Mexico
Gatorade de Mexico, S.de R.L. de C.V.	Mexico
Gatorade Limited	United Kingdom
Gatorade Puerto Rico Company	United States
Global PepsiCo Luxembourg Holdings S.a.r.l	Luxembourg
Golden Grain Company	United States
Goldfinch Holdings LLC	United States
Green Hemlock International, LLC	United States
Greenville Holding Corp.	United States
Grupo Gamesa, S. de R.L. de C.V.	Mexico
Grupo Sabritas, S. de R.L. de C.V.	Mexico

NAME OF ENTITY	JURISDICTION
Guangzhou Pepsi-Cola Beverage Company Limited	China
Guangzhou Quaker Oats Food & Beverage Co. Ltd.	China
Hangzhou Pepsi-Cola Beverage Company Limited	China
Harbin Pepsi-Cola Beverages Company Limited	China
Harinera Monterrey, S.A. de C.V.	Mexico
Hayfield Finance Company	United States
Heathland, LP	United States
Hillbrook Insurance Company, Inc.	United States
Holland Snacks S.A. de C. V.	Mexico
Homefinding Company of Texas	United States
Icaria Invest S.a.r.l.	Luxembourg
Importadora Gator, S. de R.L. de C.V.	Mexico
Inmobillaria Interamericana S.A. de C.V.	Mexico
Integrated Beverage Services (Bangladesh) Ltd.	Bangladesh
International Bottlers Almaty Ltd.	Kazakhstan
International Kas, AG	Liechtenstein
International Refreshments Co. Ltd.	Saudi Arabia
Inversiones PFI Chile Limitada	Chile
Inversiones Santa Coloma S.A. (Venezuela)	Venezuela
IZZE Beverage Co.	United States
Japan Frito-Lay Ltd.	Japan
Jinan Pepsi-Cola Beverage Company Limited	China
Jordan Ice & Aerated Water Ltd.	Jordan
Jungla Mar del Sur	Costa Rica
KRJ Holdings, S. de R.L. de C.V.	Mexico
Kunming Pepsi-Cola Beverage Company Limited	China
Lacenix Cia. Ltda.	Ecuador
Large Investments S.a.r.l	Luxembourg
Larragana Holding de Espana, S.L.	Spain
Larragana Holdings 1, LLC	United States
Larragana Holdings 2, LLC	United States
Larragana Holdings 3, LLC	United States

NAME OF ENTITY	JURISDICTION
Larragana Holdings 4, LLC	United States
Larragana Holdings 5, LLC	United States
Larragana, S.L.	Spain
Latin America Beverages, S. de R.L. de C.V.	Mexico
Latin America Holdings Ltd.	Cayman Islands
Latin America Snack Foods, ApS	Denmark
Latin Foods International, LLC	United States
Latvia Snacks Ltd.	Latvia
Lebedyansky Experimental Cannery Open Joint Stock Company	Russia
Lebedyansky Holdings Limited Liability Company	Russia
L'Igloo, S.A.	France
Linkbay Limited	Cyprus
Lithuania Snacks Ltd.	Lithuania
Long Bay, Inc.	United States
Looza NV	Belgium
Lotta Good, LLC	United States
Maizoro, S. de R.L. de C.V.	Mexico
Malpensa - Consultadoria e Servicos, LDA	Portugal
Marbo d.o.o. Laktasi	Bosnia
Marbo Product d.o.o. Belgrade	Serbia
Marbo Product d.o.o. Zagreb	Croatia
Matudis - Comercio de Produtos Alimentares, Limitada	Portugal
Matutano, Sociedade de Productos Alimentares, Unipessoal, Lda.	Portugal
Meadowbrook Distributing Corporation	United States
Meadowlark Holdings LLC	United States
Meadowview Development Co., Inc.	United States
Midland Bottling Co.	United States
Mountainview Insurance Company, Inc.	United States
Naked Juice Co.	United States
Naked Juice Co. of Glendora, Inc.	United States
Naked Juice Co. of New Jersey, Inc.	United States

NAME OF ENTITY	JURISDICTION
NCJV, Inc.	United States
New Century Beverage Company	United States
New Generation Beverages Pty. Ltd.	Australia
Noble Leasing LLC	United States
P & I Holding S. A.	Panama
P.B.I. Fruit Juice Company BVBA	Belgium
Panagarh Marketing Company Limited	India
Papas Chips	Uruguay
Pasteleria Vienesa, C.A.	Venezuela
PCBL, LLC	United States
PCIL USA Indonesia	Indonesia
PCIT Puerto Rico, Inc.	Puerto Rico
PCNA Manufacturing, Inc.	United States
PEI e Companhia	Portugal
PEI, N.V.	Netherlands Antilles
Peninsular Beverage Service Sdn. Bhd.	Malaysia
Pepsi Beverage (Nanchang) Company Limited	China
Pepsi Bottling Holdings, Inc.	United States
Pepsi Bugshan Investments Company	Egypt
Pepsi Cola Columbia Ltda	Colombia
Pepsi Cola Egypt	Egypt
Pepsi Cola Trading Ireland	Ireland
Pepsi Foods Private Ltd.	India
Pepsi Logistics Company, Inc.	United States
Pepsi Overseas (Investments) Partnership	Canada
Pepsi Promotions, Inc.	United States
Pepsi Srl	Italy
PepsiCo (China) Limited	China
PepsiCo (Gilbraltar) Limited	Gilbraltar
PepsiCo (India) Holdings Pvt. Ltd.	India
PepsiCo (Ireland) Limited	Ireland
PepsiCo (Malaysia) SDN. BHD.	United States
PepsiCo Alimentos Ecuador Cia. Ltd.	Ecuador

NAME OF ENTITY	JURISDICTION
PepsiCo Alimentos Z.F., Ltda.	Colombia
PepsiCo Antilles Holdings N.V.	Netherlands Antilles
PepsiCo Australia Holdings Pty Ltd.	Australia
PepsiCo Australia International	Australia
PepsiCo Bebidas Brasil Holding Ltda.	Brazil
PepsiCo Beverages (Guangzhou) Limited	China
PepsiCo Beverages (Hong Kong) Limited	Hong Kong
PepsiCo Beverages International Ltd.	Nigeria
PepsiCo Beverages Italia Srl	Italy
PepsiCo Beverages Switzerland GmbH	Switzerland
PepsiCo Canada (Holdings) Co.	Canada
PepsiCo Canada Finance, LLC	United States
PepsiCo Canada ULC	Canada
PepsiCo Captive Holdings, Inc.	United States
PepsiCo Caribbean, Inc.	Puerto Rico
PepsiCo de Argentina S.R.L.	Argentina
PepsiCo de Mexico S. de R.L. de C.V.	Mexico
PepsiCo Deutschland GmbH	Germany
PepsiCo do Brazil Holdings Limitada	Brazil
PepsiCo do Brazil Ltda.	Brazil
PepsiCo Estonia	Estonia
PepsiCo Euro Bermuda Limited	Bermuda
PepsiCo Euro Finance Antilles B.V.	Netherlands Antilles
PepsiCo Euro Finance Antilles N.V.	Netherlands Antilles
PepsiCo Europe Support Center, S.L.	Spain
PepsiCo Finance (Antilles A) N.V.	United States
PepsiCo Finance (Antilles B) N.V.	Netherlands Antilles
PepsiCo Finance (South Africa) (Proprietary) Limited	South Africa
PepsiCo Finance (U.K.) Limited	United Kingdom
PepsiCo Finance Europe Limited	United Kingdom
PepsiCo Finance Luxembourg Limited	United Kingdom
PepsiCo Financial Shared Services, Inc.	United States

NAME OF ENTITY	JURISDICTION
PepsiCo Food & Beverage Holdings Hong Kong Limited	Hong Kong
PepsiCo Foods (China) Company Limited	China
PepsiCo Foods (Private) Limited	Pakistan
PepsiCo Foods and Beverages International Limited	United Kingdom
PepsiCo Foods Hellas	Greece
PepsiCo Foods International Holdings, Inc.	United States
PepsiCo Foods Taiwan Co., Ltd.	Taiwan, Province of China
PepsiCo Foreign Sales Corporation	Barbados
PepsiCo France SNC	France
PepsiCo Global Investments BV	Netherlands
PepsiCo Global Investments Holdings Limited	Ireland
PepsiCo Global Investments II BV	Netherlands
PepsiCo Global Investments S.a.r.l.	Luxembourg
PepsiCo Gulf International FZE	United Arab Emirates
PepsiCo Holbra Alimentos Ltda.	Brazil
PepsiCo Holdings	United Kingdom
PepsiCo Holdings Hong Kong Limited	Hong Kong
PepsiCo Iberia Manufacturing, S.L.	Spain
PepsiCo India Holdings, Inc.	United States
PepsiCo Internacional Mexico S. de R.L. de C. V.	Mexico
PepsiCo International Limited	Ireland
PepsiCo International Limited	United Kingdom
PepsiCo International Pte. Ltd.	Singapore
PepsiCo International Vietnam Company	Viet Nam
PepsiCo Investment (China) Limited	China
PepsiCo Investments (Europe) I BV	Netherlands
PepsiCo Investments Denmark Limited I Aps	Denmark
PepsiCo Ireland Food & Beverages	Ireland
PepsiCo Light BV	Netherlands
PepsiCo Mauritius Holdings, Inc.	Mauritius
PepsiCo Max BV	Netherlands
PepsiCo New Zealand Holdings	New Zealand

NAME OF ENTITY	JURISDICTION
PepsiCo Nordic Finland OY	Finland
PepsiCo Nordic Norway A/S	Norway
PepsiCo NZ Finance Antillies B.V.	Netherlands Antilles
PepsiCo One BV	Netherlands
PepsiCo Overseas Corporation	United States
PepsiCo Pacific Trading Company, Limited	Hong Kong
PepsiCo Panimex Inc.	Mauritius
PepsiCo Pension Management Services, Ltd.	United States
PepsiCo Products BV	Netherlands
PepsiCo Property Management Limited	United Kingdom
PepsiCo Puerto Rico, Inc.	United States
PepsiCo Russia (Bermuda) Limited	Bermuda
PepsiCo Sales, Inc.	United States
PepsiCo Services International Inc.	United States
PepsiCo Snacks France SASU	France
PepsiCo Sterling Finance Antilles B.V.	Netherlands Antilles
PepsiCo Trading (Guangzhou) Company	China
PepsiCo Twist BV	Netherlands
PepsiCo UK Pension Plan Trustee Limited	United Kingdom
PepsiCo UK Pension Trustee Limited	United Kingdom
PepsiCo World Trading Company, Inc.	United States
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola (Thai) Trading Company Limited	Thailand
Pepsi-Cola Advertising and Marketing, Inc.	United States
Pepsi-Cola Belguim S.a. r.L	Luxembourg
Pepsi-Cola Beverage (Guilin) Company Limited	China
Pepsi-Cola Bottlers Holding, C.V.	Netherlands
Pepsi-Cola Bottling Company of St. Louis, Inc.	United States
Pepsi-Cola Company	United States
Pepsi-Cola de Honduras S.R.L.	Honduras
Pepsi-Cola East Africa Limited	United Kingdom
Pepsi-Cola Ecuador Cia. Ltda.	Ecuador

NAME OF ENTITY	JURISDICTION
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines
Pepsi-Cola Industrial Da Amazonia Ltda.	Brazil
Pepsi-Cola Interamericana de Guatemala S.A.	Guatemala
Pepsi-Cola International (Cyprus) Limited	Cyprus
Pepsi-Cola International (PVT) Limited	Pakistan
Pepsi-Cola International Limited	Bermuda
Pepsi-Cola International Limited (U.S.A.)	United States
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Kft. Hungary	Hungary
Pepsi-Cola Korea, Co., Ltd.	Korea
Pepsi-Cola Maghreb	Morocco
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Pepsi-Cola Management and Administrative Services, Inc.	United States
Pepsi-Cola Manufacturing (Ireland)	Ireland
Pepsi-Cola Manufacturing (Mediterranean) Limited F/K/A Pepsi-Cola (Alexandria Free Zone) Limited	Bermuda
Pepsi-Cola Manufacturing Company of Urugauay S.R.L.	Uruguay
Pepsi-Cola Manufacturing International, Limited	Bermuda
Pepsi-Cola Marketing Corp. of P.R. Inc.	Puerto Rico
Pepsi-Cola Mediterranean Ltd.	United States
Pepsi-Cola Metropolitan Bottling Company, Inc.	United States
Pepsi-Cola Metropolitan, LLC	United States
Pepsi-Cola Mexicana Holdings LLC	United States
Pepsi-Cola Mexicana, S. de R.L. de C.V.	Mexico
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	United States
Pepsi-Cola Panamericana S.R.L.	Venezuela
Pepsi-Cola Panamericana SCR Limitada	Peru
Pepsi-Cola Panamericana, LLC	United States
Pepsi-Cola Sales and Distribution, Inc.	United States
Pepsi-Cola Technical Operations, Inc.	United States
Pepsi-Cola U.K. Limited	United Kingdom

NAME OF ENTITY	JURISDICTION
Pepsi-Cola Ukranine	Ukraine
Pete & Johnny Limited	United Kingdom
PFI Italia S.R.L.	Italy
PIE Holdings Limited	Ireland
Pine International, LLC	United States
Planters U.K. Limited	United Kingdom
PlayCo, Inc.	United States
Polis S.R. L.	Italy
Prestwick, Inc.	United States
Productos S.A.S. C.V.	Netherlands
Products SAS Management BV	Netherlands
Produstos Gatorade de Mexico, S. de R.L. de C.V.	Mexico
PRS, Inc.	United States
PSE Logistica, S.R.L.	Argentina
PT Gatorade Indonesia	Indonesia
PT Quaker Indonesia	Indonesia
Punch N.V.	Netherlands Antilles
Punica Getranke GmbH	Germany
QBU Marketing Services, S. de R.L. de C.V.	Mexico
QBU Trading Company, S. de R.L. de C.V.	Mexico
QFL OHQ Sdn. Bhd.	Malaysia
QTG Development, Inc.	United States
QTG Services, Inc.	United States
Quaker Beverages Italia S.p.A	Italy
Quaker Cereals Limited	United Kingdom
Quaker Developments B.V.	Netherlands
Quaker European Beverages, LLC	United States
Quaker European Investments B.V.	Netherlands
Quaker Foods Limited	United Kingdom
Quaker Global Investments B.V.	Netherlands
Quaker Holdings (UK) Limited	United Kingdom
Quaker Manufacturing, LLC	United States

NAME OF ENTITY	JURISDICTION
Quaker Mexico Holdings, LLC	United States
Quaker Oats Asia, Inc.	United States
Quaker Oats Australia Pty., Ltd	Australia
Quaker Oats B.V.	Netherlands
Quaker Oats Capital Corporation	United States
Quaker Oats Europe LLC	United States
Quaker Oats Europe, Inc.	United States
Quaker Oats Japan, Ltd.	Japan
Quaker Oats Limited	United Kingdom
Quaker Oats Puerto Rico, Inc.	Puerto Rico
Quaker Peru S.R.L.	Peru
Quaker Products Limited	United Kingdom
Quaker Products Manufacturing Import, Export and Marketing Ltd. Co.	Turkey
Quaker Sales & Distribution, Inc.	United States
Quaker Trading Limited	United Kingdom
Red Maple LLC	United States
Refrigerantes sul Riograndenses S.A.	Brazil
Rolling Frito-Lay Sales, LP	United States
S.C. Star Foods E.M. S.R.L.	Romania
S.V.E. (Hungary) Trading and Manufacturing Limited	Hungary
Sabritas de Costa Rica, S. de R.L.	Costa Rica
Sabritas Snacks America Latina de Nicaragua y Cia, Ltda	Nicaragua
Sabritas y Compania, SCA	El Salvador
Sabritas, LLC	United States
Sabritas, S. de R.L. de C.V.	Mexico
Sakata Rice Snacks Australia Proprietary Limited	Australia
Seepoint Holdings Ltd.	Cyprus
Senrab Limited	Ireland
Servicios Chipiga, S. de R.L. de C.V.	Mexico
Servicios Harinera Monterrey, S.A. de C.V.	Mexico

NAME OF ENTITY	JURISDICTION
Servicios Operativos Gatorade de Mexico, S. de R.L. de C.V.	Mexico
Seven-Up Asia, Inc.	United States
Seven-Up Europe Limited	United Kingdom
Seven-Up Great Britain, Inc.	United States
Seven-Up Ireland	Ireland
Seven-Up Light BV	Netherlands
Seven-Up Netherlands BV	Netherlands
Seven-Up Southern Hemisphere, Inc.	United States
Shanghai PepsiCo Snacks Company Limited	China
Shanghai Quaker Oats Beverage Co. Ltd.	China
Shenyang Pepsi-Cola Beverage Company Limited	China
Shenzhen Pepsi-Cola Beverage Company Limited	China
Shoebill, LLC	United States
Sichuan Pepsi-Cola Beverage Company Limited	China
SIH International LLC	United States
Simba Pty Ltd.	South Africa
Smartfoods, Inc.	United States
Smiths Crisps Limited	United Kingdom
Smiths Foods Group, B.V.	Netherlands
Snack Food Holdings C.V.	Netherlands
Snack Food Investments GmbH	Switzerland
Snack Food Investments II GmbH	Switzerland
Snack Food Investments Limited	Bermuda
Snack Food-Beverage Asia Products Limited	Hong Kong
Snack Foods Belgium B.V.B.A.	Belgium
Snack Ventures Europe SCA	Belgium
Snack Ventures Inversiones, S.L.	Spain
Snacks America Latina Peru S.R.L.	Peru
Snacks America Latina S.R.L.	Peru
Snacks America Latina Venezuela S.R.L.	Venezuela
Snacks Guatemala, Ltd.	Bermuda

NAME OF ENTITY	JURISDICTION
Snacks Ventures S.A.	Spain
SoBe Operating Corp., Inc.	United States
South Beach Beverage Company, Inc. (F/K/A SOBE Acquisition Company, Inc.)	United States
Sportmex Internacional, S.A. De C.V.	Mexico
Stacy’s Pita Chip Company, Incorporated	United States
Star Foods Bulgaria EOOD	Bulgaria
Stokely-Van Camp, Inc.	United States
Sun Foods Inc.	United States
SVC Latin America, LLC	United States
SVC Logistics, Inc.	United States
SVC Manufacturing, Inc.	United States
SVE Russia Holdings GmbH	Germany
Tastes of Adventures Pty. Ltd.	Australia
Tasty Foods S.A.	Greece
TFL Holdings, Inc.	United States
The Concentrate Manufacturing Company of Ireland	Ireland
The Gatorade Company	United States
The Gatorade Company of Australia Pty Ltd.	Australia
The Original Pretzel Company Pty. Ltd.	Australia
The Quaker Oats Company	United States
The Radical Fruit Company of New York	Ireland
The Smiths Snackfood Company Ltd.	Australia
Tianjin Pepsi-Cola Beverage Company Limited	China
Tobago Snack Holdings, LLC	United States
TPI Urban Renewal Corporation	United States
Tropicana Alvalle S.L.	Spain
Tropicana Beverages Company	India
Tropicana Beverages Greater China Limited	Hong Kong
Tropicana Beverages Ltd.	Hong Kong
Tropicana Europe NV	Belgium
Tropicana Holding Company, Inc.	United States
Tropicana Looza BENELUX BVBA	Belgium

NAME OF ENTITY	JURISDICTION
Tropicana Manufacturing Company, Inc.	United States
Tropicana Products Sales, Inc.	United States
Tropicana Products, Inc.	United States
Tropicana Services, Inc.	United States
Tropicana Transportation Corporation	United States
Tropicana United Kingdom Limited	United Kingdom
Twisties Australia One Pty Limited	Australia
Twisties Australia Two Pty Limited	Australia
United Food Company S.A.	Brazil
Valores Bermuda S.R. L.	Venezuela
Valores Mapumar	Venezuela
Veurne Snackfoods BVBA	Belgium
Vitamin Brands Ltd.	United Kingdom
Walkers Crisps Limited	United Kingdom
Walkers Group Limited	United Kingdom
Walkers Snack Foods Limited	United Kingdom
Walkers Snack Services Limited	United Kingdom
Walkers Snacks (Distribution) Limited	United Kingdom
Walkers Snacks Limited	United Kingdom
Wotsits Brands Limited	United Kingdom
Xi’an Pepsi-Cola Beverage Company Limited	China
Zhanjiang Pepsi Cola Beverage Company Limited	China

Consent of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
PepsiCo, Inc.:

We consent to incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and Subsidiaries ("PepsiCo, Inc.") of our report dated February 19, 2009, with respect to the Consolidated Balance Sheet of PepsiCo, Inc. as of December 27, 2008 and December 29, 2007 and the related Consolidated Statements of Income, Cash Flows and Common Shareholders' Equity for each of the fiscal years in the three-year period ended December 27, 2008, and the effectiveness of internal control over financial reporting as of December 27, 2008, which report appears in the December 27, 2008 annual report on Form 10-K of PepsiCo, Inc.

Description, Registration Statement Number

Form S-3

- Automatic Shelf Registration Statement, 333-154314

Form S-8

- The PepsiCo 401(k) Plan for Hourly Employees, 333-150868
- The PepsiCo 401(k) Plan for Salaried Employees, 333-150867
- PepsiCo, Inc. 2007 Long-Term Incentive Plan, 333-142811
- PepsiCo, Inc. 2003 Long-Term Incentive Plan, 333-109509
- PepsiCo SharePower Stock Option Plan, 33-35602, 33-29037, 33-42058, 33-51496, 33-54731,33-66150 and 333-109513
- Director Stock Plan, 33-22970 and 333-110030
- 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
- 1994 Long-Term Incentive Plan, 33-54733
- PepsiCo, Inc. 1995 Stock Option Incentive Plan, 33-61731, 333-09363 and 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 and 33-60965
- PepsiCo 401(k) Plan, 333-89265
- Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates and the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173), 333-65992
- The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999 and The Quaker Oats Company Stock Option Plan for Outside Directors, 333-66632
- The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees, 333-66634
- The PepsiCo 401(k) Plan for Salaried Employees, 333-76196
- The PepsiCo 401(k) Plan for Hourly Employees, 333-76204
- The PepsiCo Share Award Plan, 333-87526

/s/ KPMG LLP
New York, New York

February 19, 2009

EXHIBIT 24

POWER OF ATTORNEY

PepsiCo, Inc. ("PepsiCo") and each of the undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Larry D. Thompson and Thomas H. Tamoney, Jr., and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments):

(i) Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, and the Automatic Shelf Registration Statement No. 333-154314 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants and Units;

(ii) Registration Statements No. 33-53232, 33-64243 and 333-102035 relating to the offer and sale of PepsiCo's Debt Securities, Warrants and Guarantees;

(iii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314, 33-47527, 333-53436 and 333-56302 all relating to the primary and/or secondary offer and sale of PepsiCo Common Stock issued or exchanged in connection with acquisition transactions;

(iv) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731 33-42121, 33-50685, 33-66150 and 333-109513 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo SharePower Stock Option Plan;

(v) Registration Statements No. 2-82645, 33-51514, 33-60965 and 333-89265 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo 401(k) Plan or the PepsiCo Long-Term Savings Program; Registration Statement No. 333-65992 relating to the offer and sale of PepsiCo Common Stock under the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamsters Local Union #173), the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates; Registration Statement No. 333-66634 relating to the offer and sale of PepsiCo Common Stock under The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees; Registration Numbers 333-76196 and 333-150867 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Salaried Employees; and Registration Numbers 333-76204 and 333-150868 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Hourly Employees;

(vi) Registration Statements No. 33-61731, 333-09363 and 333-109514 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1995 Stock Option Incentive Plan; Registration Statement No. 33-54733 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1994 Long-Term Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 33-19539 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 2-65410 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1979 Incentive Plan and 1972 Performance Share Plan, as amended; Registration Statement No. 333-66632 relating to the offer and sale of PepsiCo Common Stock under The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999, and The Quaker Oats Company Stock Option Plan for Outside Directors; Registration Statement No. 333-109509 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2003 Long-Term Incentive Plan and resales of such shares by executive officers and directors of PepsiCo; Registration Statement No. 333-142811 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. Long-Term Incentive Plan;

(vii) Registration Statement No. 33-22970 and 333-110030 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's Director Stock Plan and resales of such shares by Directors of PepsiCo;

(viii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;

(ix) Schedule 13G relating to PepsiCo's beneficial ownership of Common Stock and Class B Common Stock of The Pepsi Bottling Group, Schedule 13D relating to PepsiCo's beneficial ownership of Common Stock of PepsiAmericas, Inc., any amendments to such schedule 13D or Schedule 13G and any schedules to such 13D, 13G or any amendment thereto deemed to be necessary or appropriate by any such attorney-in-fact;

(x) all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Common Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same, with all exhibits thereto and other documents in connection therewith, and each of such attorneys shall have the power to act hereunder with or without the other.

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IN WITNESS WHEREOF, each of the undersigned has executed this instrument on February 19, 2009.

PepsiCo, Inc.

By: /s/ Indra K. Nooyi
Indra K. Nooyi
Chairman of the Board of Directors and
Chief Executive Officer

SIGNATURE	**TITLE**	**DATE**
/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 19, 2009
/s/ Richard Goodman Richard Goodman	Chief Financial Officer	February 19, 2009
/s/ Peter A. Bridgman Peter A. Bridgman	Senior Vice President and Controller (Principal Accounting Officer)	February 19, 2009
/s/ Ian M. Cook Ian M. Cook	Director	February 19, 2009
/s/ Dina Dublon Dina Dublon	Director	February 19, 2009
/s/ Victor J. Dzau Victor J. Dzau, M.D.	Director	February 19, 2009
/s/ Ray L. Hunt Ray L. Hunt	Director	February 19, 2009
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 19, 2009
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 19, 2009
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 19, 2009
/s/ James J. Schiro James J. Schiro	Director	February 19, 2009

/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 19, 2009
/s/ Daniel Vasella Daniel Vasella	Director	February 19, 2009
/s/ Michael D. White Michael D. White	Director	February 19, 2009

EXHIBIT 31

CERTIFICATION

I, **Indra K. Nooyi,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of PepsiCo’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in PepsiCo’s internal control over financial reporting that occurred during PepsiCo’s fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo’s internal control over financial reporting; and
5. PepsiCo’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo’s auditors and the audit committee of PepsiCo’s board of directors:
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo’s internal control over financial reporting.

Date: February 19, 2009

/s/ Indra K. Nooyi

Indra K. Nooyi
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION

I, **Richard Goodman,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: February 19, 2009

/s/ Richard Goodman
Richard Goodman
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 19, 2009

/s/ Indra K. Nooyi
Indra K. Nooyi
Chairman of the Board of Directors
and Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of PepsiCo, Inc. (the “Corporation”) on Form 10-K for the fiscal year ended December 27, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard Goodman, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: February 19, 2009

/s/ Richard Goodman
Richard Goodman
Chief Financial Officer