UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 31, 2011

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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 10, 2011, the last day of business of our most recently completed second fiscal quarter, was $108,849,195,879 (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 15, 2012 was 1,570,641,730.

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 2, 2012 Annual Meeting of Shareholders	**III**

PepsiCo, Inc.

Form 10-K Annual Report
For the Fiscal Year Ended December 31, 2011

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Forward-Looking Statements

This Annual Report on Form 10-K contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "believe," "expect," "intend," "estimate," "project," "anticipate," "will" and variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. 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. These risks and uncertainties include, but are not limited to those described in "Risk Factors" in Item 1A. and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" in Item 7. 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.

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 food and beverage company with hundreds of brands that are respected household names throughout the world. Either independently or through contract manufacturers or authorized bottlers, we make, market, sell and distribute a variety of convenient and enjoyable foods and beverages in more than 200 countries and territories.

We continue to be guided by Performance with Purpose – our belief that what is good for business can and should be good for society. Our commitment to deliver sustainable growth by investing in a healthier future for people and our planet is as much of a financial decision as it is an ethical one. In 2011, PepsiCo earned a place on the prestigious Dow Jones Sustainability World Index for the fifth consecutive year, the North America Index for the sixth consecutive year and was ranked as the number one company in the Food and Beverage Supersector.

Our Operations

We are organized into four 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);
2) PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;
3) PepsiCo Europe, which includes all beverage, food and snack businesses in Europe; and
4) PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA.

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

- FLNA,
- QFNA,
- LAF,
- PAB,
- Europe, and
- AMEA.

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

Frito-Lay North America

Either independently or through contract manufacturers, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay’s potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips, SunChips multigrain snacks and Santitas tortilla chips. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA’s joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads. FLNA’s net revenue was $13.3 billion, $12.6 billion and $12.4 billion in 2011, 2010 and 2009, respectively, and approximated 20%, 22% and 29% of our total net revenue in 2011, 2010 and 2009, respectively.

Quaker Foods North America

Either independently or through contract manufacturers, QFNA makes, markets, sells and distributes cereals, rice, pasta and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Quaker grits, Cap'n Crunch cereal, Life cereal, Rice-A-Roni side dishes, Quaker rice cakes, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers. QFNA's net revenue was $2.7 billion in 2011, 2010 and 2009 and approximated 4%, 4% and 6% of our total net revenue in 2011, 2010 and 2009, respectively.

Latin America Foods

Either independently or through contract manufacturers, LAF makes, markets, sells and distributes a number of snack food brands including Marias Gamesa, Doritos, Cheetos, Ruffles, Saladitas, Emperador, Tostitos and Sabritas, as well as many Quaker-brand cereals and snacks. These branded products are sold to independent distributors and retailers. LAF's net revenue was $7.2 billion, $6.3 billion and $5.7 billion in 2011, 2010 and 2009, respectively, and approximated 11%, 11% and 13% of our total net revenue in 2011, 2010 and 2009, respectively.

PepsiCo Americas Beverages

Either independently or through contract manufacturers, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Mirinda. PAB also, either independently or through contract manufacturers, makes, 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 independent bottlers. Furthermore, PAB manufactures and distributes certain brands licensed from Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper and Crush. PAB operates its own bottling plants and distribution facilities. PAB also sells concentrate and finished goods for our brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. We and the independent bottlers sell our brands as finished goods to independent distributors and retailers. PAB's net revenue was $22.4 billion, $20.4 billion and $10.1 billion in 2011, 2010 and 2009, respectively, and approximated 34%, 35% and 23% of our total net revenue in 2011, 2010 and 2009, respectively.

See Note 15 for additional information about our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS) in 2010.

Europe

Either independently or through contract manufacturers, Europe makes, markets, sells and distributes a number of leading snack foods including Lay's, Walkers, Doritos, Chudo, Cheetos and Ruffles, as well as many Quaker-brand cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or through contract manufacturers, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Pepsi Max, 7UP, Diet Pepsi and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. In addition, Europe licenses the Aquafina water brand to certain of its authorized bottlers and markets this brand. Europe also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). Europe's net revenue was $13.6 billion, $9.6 billion and $7.0 billion in 2011, 2010 and 2009, respectively, and approximated 20% of our total net revenue in 2011 and 17% of our total net revenue in 2010 and 2009.

See Note 15 for additional information about our acquisitions of PBG and PAS in 2010. Also see Note 15 for additional information about our acquisition of Wimm-Bill-Dann Foods OJSC in 2011.

Asia, Middle East & Africa

Either independently or through contract manufacturers, AMEA makes, markets, sells and distributes a number of leading snack food brands including Lay's, Chipsy, Kurkure, Doritos, Cheetos and Smith's through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or through contract manufacturers, AMEA makes, markets and sells many Quaker-brand cereals and snacks. AMEA also makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. In addition, AMEA licenses the Aquafina water brand to certain of its authorized bottlers. AMEA also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). AMEA's net revenue was $7.4 billion, $6.3 billion and $5.3 billion in 2011, 2010 and 2009, respectively, and approximated 11%, 11% and 12% of our total net revenue in 2011, 2010 and 2009, respectively.

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 apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit and other fruits, oats, oranges, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils and wheat. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resins used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities for us due to their use in our facilities and in the trucks delivering our products. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages. Many of these ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price purchase orders, pricing agreements and derivatives. In addition, risk to our supplies of certain raw materials is mitigated through purchases from multiple geographies and suppliers. 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 exposure to commodity costs. See also Item 1A. “Risk Factors – Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies.”

Our Brands

We own numerous valuable trademarks which are essential to our worldwide businesses, including Amp Energy, Aquafina, Aunt Jemima, Cap’n Crunch, Cheetos, Chester’s, Chipsy, Chudo, Cracker Jack, Diet Mountain Dew, Diet Pepsi, Doritos, Duyvis, Emperador, Frito-Lay, Fritos, Fruktovy Sad, Frustyle, Gamesa, Gatorade, G2, G Series, Grandma’s, Imunele, Izze, Kurkure, Lay’s, Life, Little House in the Village, Lubimy Sad, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie’s, Mother’s, Mountain Dew, Mug, Munchies, Naked, Near East, Paso de los Toros, Pasta Roni, Pepsi, Pepsi Max, Pepsi One, Propel, Quaker, Quaker Chewy, Quakes, Rice-A-Roni, Rold Gold, Ruffles, Sabritas, Saladitas, Sakata, Sandora, 7UP and Diet 7UP (outside the United States), Santitas, Sierra Mist, Simba, Smartfood, Smith’s, Snack a Jacks, SoBe, SoBe Lifewater, Sonric’s, Stacy’s, SunChips, Tonus, Tostitos, Trop 50, Tropicana, Tropicana Pure Premium, Tropicana Twister, V Water, Vesely Molochnik, Walkers and Ya. We also hold long-term licenses to use valuable trademarks in connection with our products, including Dole and Ocean Spray. Joint ventures in which we participate either own or have the right to use certain trademarks, such as Lipton, Starbucks and Sabra. 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 businesses are affected by seasonal variations. For instance, 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 financial results.

Our Customers

Our primary customers include wholesale distributors, grocery stores, convenience stores, mass merchandisers, membership stores, authorized independent bottlers and foodservice distributors, including hotels and restaurants. We normally grant our independent 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 independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality.

In 2011, sales to Wal-Mart Stores, Inc. (Wal-Mart), including Sam's Club (Sam's), represented approximately 11% of our total net revenue. Our top five retail customers represented approximately 30% of our 2011 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our independent bottlers which were used in finished goods sold by them to these retailers.

See "Our Customers" 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 independent bottlers.

See Note 15 to our consolidated financial statements for additional information about our acquisitions of PBG and PAS in 2010.

Our Competition

Our businesses operate in highly competitive markets. Our beverage, snack and food brands compete against global, regional, local and private label manufacturers and other value competitors.

In U.S. measured channels, our chief beverage competitor, The Coca-Cola Company, has a larger share of carbonated soft drinks (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.

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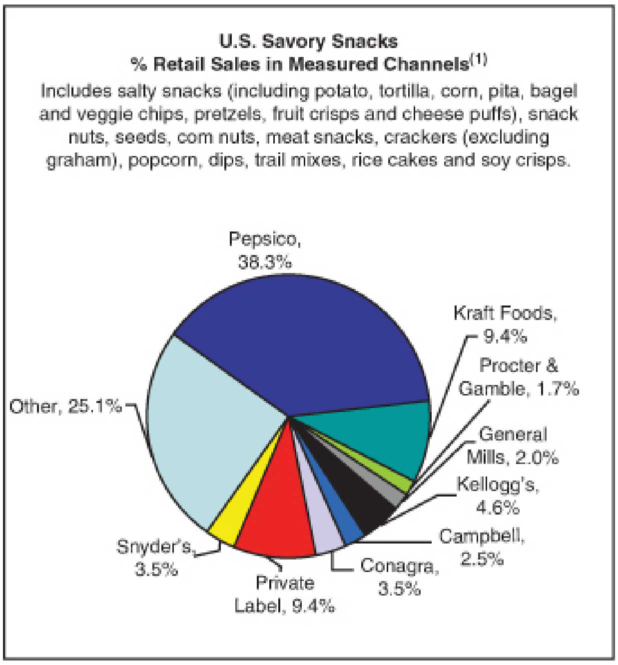
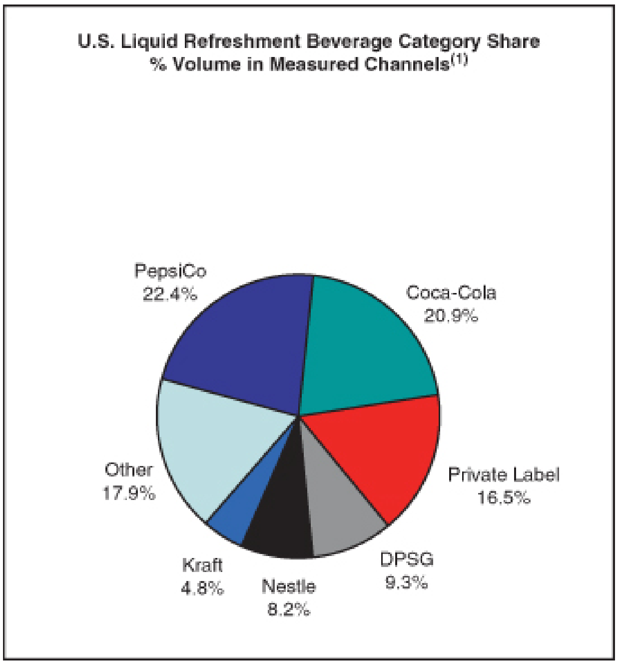
Our snack and food brands hold significant leadership positions in the snack and food industry worldwide.

Our beverage, snack and food brands compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, the introduction of new products and the effectiveness of our advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques and brand and trademark development and protection. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allows us to compete effectively.





(1) The categories and category share information in the charts above are as of December 25, 2011 and 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 and continue to invest to accelerate growth in these activities and to drive innovation globally. 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. Our Global Nutrition Group, led by our Chief Scientific Officer, oversees research and development efforts for the company, which are focused on identifying opportunities to transform and grow our product portfolio in the short- and long-term. Our research platforms are shared across specializations, countries and regions in order to generate innovation. In 2011, we continued to expand our portfolio of products made with nutritious ingredients, increasing the amount of whole grains, fruits, vegetables, nuts, seeds and low-fat dairy in certain of our products, and we continued to take steps to reduce the average amount of sodium, saturated fat and added sugar per serving in certain of our products. We also invested in agricultural development and the development and implementation of new technologies to both enhance the quality and value of our current and future product lines and to minimize our impact on the environment. We made investments to conserve energy and raw materials, and to reduce waste in our facilities, and to improve our packaging process to continue to reduce total packaging volume, recycle containers, use renewable resources and remove environmentally sensitive materials. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were $525 million in 2011, $488 million in 2010 and $414 million in 2009 and are reported within selling, general and administrative expenses.

Regulatory Environment and Environmental Compliance

The conduct of our businesses, including the production, distribution, sale, advertising, marketing, 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 laws and regulations administered by government entities and agencies outside the United States in markets in which our products are made, manufactured or sold. 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 a variety of laws and regulations, including: 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; various federal and state laws and regulations governing equal employment opportunity and our employment relationships, including the Equal Employment Opportunity Act and the National Labor Relations Act; customs and foreign trade laws and regulations; and laws regulating the sale of certain of our products in schools. In our business dealings, we are also required to comply with the Foreign Corrupt Practices Act. We are also subject to various state and local statutes and regulations, including state consumer protection laws. For example, in California, Proposition 65 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. The State of California continues to evaluate various components and, consequently, food and beverage producers who sell products in California, including PepsiCo, may be required to provide warning labels on their products. See also “Item 1A. 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.”

Outside the United States, we are subject to numerous similar and other laws and regulations, including anti-corruption laws and regulations. In addition, 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 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 introduced in certain jurisdictions in which we operate that would impose special taxes or other limitations on certain products we sell. For example, certain federal, state and local governments in the United States, and in certain other countries in which we operate, have either imposed or are considering the imposition of taxes on the sale of certain beverages, including non-diet and diet soft drinks, fruit drinks, teas and flavored waters. In the United States, federal and state legislators are also debating proposals to restrict the use of Supplemental Nutrition Assistance Program benefits to purchase beverages and foods whose nutritional content exceeds certain levels of sodium, saturated fat and sugar. In addition, legislation has been enacted in certain U.S. states and in certain other 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 results of operations.

We are also subject to national and local environmental laws in the United States and in foreign countries in which we do business, including laws related to water consumption and treatment, wastewater and air emissions. In the United States, our facilities must comply with the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and other federal and state laws regarding handling, release and disposal of wastes at on-site and off-site locations. We are committed to meeting all applicable environmental compliance requirements. We and our subsidiaries are subject to environmental remediation obligations in the normal course of business, as well as remediation and related indemnification obligations in connection with certain historical activities and contractual obligations of businesses acquired by our subsidiaries. While neither the results of these proceedings nor any indemnification obligations or other liabilities of our subsidiaries in connection therewith can be predicted with certainty, environmental compliance costs have not had, and are not expected to have, a material impact on our capital expenditures, earnings or competitive position. See also “Item 1A. 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.”

Employees

As of December 31, 2011, we employed approximately 297,000 people worldwide, including approximately 107,000 people within the United States. Our employment levels are subject to seasonal variations. We or our subsidiaries are a party to numerous collective bargaining agreements. We expect that we will be able to renegotiate these collective bargaining agreements on satisfactory terms when they expire. 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 site 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 hereof or incorporated into this or any of our other filings with the SEC.

Item 1A. Risk Factors.

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 categories 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 anticipate and respond to shifts in consumer trends, including increased demand for products that meet the needs of consumers who are increasingly concerned with health and wellness; our product quality; our ability to extend our portfolio of convenient foods in growing markets; our ability to develop new products that are responsive to consumer preferences, including our "fun-for-you", "good-for-you" and "better-for-you" products; and our ability to respond to competitive product and pricing pressures. For example, our growth rate may be adversely affected if we are unable to maintain or grow our current share of the liquid refreshment beverage market in North America, or our current share of the snack market globally, or if demand for our products does not grow in emerging and developing markets.

In general, 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; consumer concerns regarding the health effects of ingredients such as sodium, sugar or other product ingredients or attributes; changes in social trends that impact travel, vacation or leisure activity patterns; changes in weather patterns or seasonal consumption cycles; negative publicity (whether or not valid) resulting from regulatory action or litigation against us or other companies in our industry; a downturn in economic conditions; or taxes that would increase the cost of our products to consumers. Any of these changes may reduce consumers' willingness to purchase our products. See also "Our financial performance could suffer if we are unable to compete effectively.", "Unfavorable economic conditions may have an adverse impact on our business results or financial condition.", "Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations." 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 improving the quality of existing products, and the effectiveness of our product packaging, advertising campaigns and marketing programs, including our ability to successfully adapt to a rapidly changing media environment, such as through use of social media and online advertising campaigns and marketing programs. Although we devote significant resources to the actions mentioned above, there can be no assurance as to our continued ability 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 make the right strategic investments to drive innovation or successfully launch new products or variants of existing 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 financial performance could suffer if we are unable to compete effectively.

The food, snack and beverage industries in which we operate are highly competitive. We compete with major international food, snack and beverage companies that, like us, operate in multiple geographic areas, as well as regional, local and private label manufacturers and other value competitors. In many countries where we do business, including the United States, The Coca-Cola Company is our primary beverage competitor. We also compete with other large companies in each of the food, snack and beverage categories, including Nestlé S.A., Kraft Foods Inc. and Dr Pepper Snapple Group, Inc. We compete on the basis of brand recognition, taste, price, quality, product variety, distribution, marketing and promotional activity, convenience, service and the ability to identify and satisfy consumer preferences. If we are unable to compete effectively, we may be unable to grow or maintain sales or gross margins in the global market or in various local markets. This may have a material adverse impact on our revenues and profit margins. See also "Unfavorable economic conditions may have an adverse impact on our business results or financial condition."

Unfavorable economic conditions may have an adverse impact on our business results or financial condition.

Many of the countries in which we operate, including the United States and several of the members of the European Union, have experienced and continue to experience unfavorable economic conditions. Our business or financial results may be adversely impacted by these unfavorable economic conditions, including: adverse changes in interest rates, tax laws or tax rates; volatile commodity markets and inflation; 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 for economic reasons or otherwise to regional, local or private label products or other economy products, or to less profitable channels; impairment of assets; or a decrease in the fair value of pension assets that could increase future employee benefit costs and/or funding requirements of our pension plans. 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. In addition, some of the major financial institutions with which we execute transactions, including U.S. and non-U.S. commercial banks, insurance companies, investment banks, and other financial institutions, may be exposed to a ratings downgrade, bankruptcy, liquidity, default or similar risks as a result of unfavorable economic conditions. A ratings downgrade, bankruptcy, receivership, default or similar event involving a major financial institution may limit the availability of credit or willingness of financial institutions to extend credit on terms commercially acceptable to us or at all or, with respect to financial institutions who are parties to our financing arrangements, leave us with reduced borrowing capacity or unhedged against certain currencies or price risk associated with forecasted purchases of raw materials which could have an adverse impact on our business results or financial condition.

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

Maintaining a good reputation globally is critical to selling our branded products. Product contamination or tampering, the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations of product quality issues, mislabeling or contamination, even if untrue, may reduce demand for our products or cause production and delivery disruptions. If any of our products becomes unfit for consumption, causes injury or is mislabeled, we may have to engage in a product recall and/or be subject to liability. A widespread product recall or a significant product liability issue could cause our products to be unavailable for a period of time, which could further reduce consumer demand and brand equity. Our reputation could also be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social and environmental standards for all of our operations and activities; the failure to achieve our goals with respect to sodium, saturated fat and added sugar reduction or the development of our global nutrition business; our research and development efforts; our environmental impact, including use of agricultural materials, packaging, energy use and waste management; or our responses to any of the foregoing. In addition, water is a limited resource in many parts of the world and demand for water continues to increase. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to 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 information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other 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.

Our financial performance could be adversely affected if we are unable to grow our business in developing and emerging markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.

Our operations outside of the United States, particularly in Russia, Mexico, Canada and the United Kingdom, contribute significantly to our revenue and profitability, and we believe that our businesses in developing and emerging markets, particularly China and India, present important future growth opportunities for us. However, there can be no assurance that our existing products, variants of our existing products or new products that we make, manufacture, market or sell will be accepted or successful in any particular developing or emerging market, due to local competition, product price, cultural differences or otherwise. If we are unable to expand our businesses in developing and emerging markets, or achieve the return on capital we expect as a result of our investments, particularly in Russia, as a result of economic and political conditions, increased competition, reduced demand for our products, an inability to acquire or form strategic business alliances or to make necessary infrastructure investments or for any other reason, our financial performance could be adversely affected. Unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold, including in Russia, the Middle East and Egypt, could also have an adverse impact on our business results or financial condition. Factors that could adversely affect our business results in these markets include: foreign ownership restrictions; nationalization of our assets; regulations on the transfer of funds to and from foreign countries, which, from time to time, result in significant cash balances in foreign countries such as Venezuela, and on the repatriation of funds; currency hyperinflation or devaluation; the lack of well-established or reliable legal systems; and increased costs of business due to compliance with complex foreign and United States laws and regulations that apply to our international operations, including the Foreign Corrupt Practices Act and the UK Bribery Act, and adverse consequences, such as the assessment of fines or penalties, for failing to comply with these laws and regulations. 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. See also Item 1. Business – “Regulatory Environment and Environmental Compliance.”, “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.”, “Our financial performance could suffer if we are unable to compete effectively.”, “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.” and “Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.”

Trade consolidation or the loss of any key customer could adversely affect our financial performance.

We must maintain mutually beneficial relationships with our key customers, including Wal-Mart, as well as other retailers, to effectively compete. The loss of any of our key customers, including Wal-Mart, could have an adverse effect on our financial performance. In addition, in the event that retail ownership becomes more concentrated, retailers may demand lower pricing and increased promotional programs. Further, should 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 any such actions 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.

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, including the production, distribution, sale, advertising, marketing, 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 laws and regulations administered by government entities and agencies outside the United States in markets in which our products are made, manufactured or sold, including in emerging and developing markets where legal and regulatory systems may be less developed. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of political, economic or social events. Such changes may include changes in: food and drug laws; laws related to product labeling, advertising and marketing practices; laws regarding the import of ingredients used in our products; laws regarding the export of our products; laws and programs aimed at reducing ingredients present in certain of our products, such as sodium, saturated fat and added sugar; increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the effects on health of ingredients in, or attributes of, certain of our products; state consumer protection laws; taxation requirements, including taxes that would increase the cost of our products to consumers; competition laws; privacy laws; laws regulating the price we may charge for our products; laws regulating access to and use of water or utilities; and environmental laws, including laws relating to the regulation of water rights and treatment. New laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, may alter the environment in which we do business and, therefore, may impact our results or increase our costs or liabilities.

Governmental entities or agencies in jurisdictions where we operate may also impose new labeling, product or production requirements, or other restrictions. Studies are underway by third parties to assess the health implications of consumption of carbonated soft drinks as well as certain ingredients present in some of our products. In addition, third-party studies are also underway 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. Certain of these studies have found that it is probable that acrylamide causes cancer in laboratory animals when consumed in extraordinary amounts. If consumer concerns about the health implications of consumption of carbonated soft drinks, certain ingredients present in some of our products or 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. Although we have policies and procedures in place that are designed to promote legal and regulatory compliance, our employees or suppliers could take actions that violate these policies and procedures or applicable laws or regulations. Violations of these laws or regulations could subject us to criminal or civil enforcement actions which could have a material adverse effect on our business.

In addition, we and our subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation, product liability, toxic tort and related indemnification proceedings in connection with certain historical activities and contractual obligations of businesses acquired by our subsidiaries. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties of ours and our subsidiaries, the potential exists for remediation, liability and indemnification costs to differ materially from the costs we have estimated. We cannot assure you that our costs in relation to these matters will not exceed our established liabilities or otherwise have an adverse effect on our results of operations. See also “Item 1. Business – Regulatory Environment and Environmental Compliance.” and “Our financial performance could be adversely affected if we are unable to grow our business in developing and emerging markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.” above.

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, to interface with our customers, to maintain financial accuracy and efficiency, to comply with regulatory financial reporting, legal and tax requirements, and for digital marketing activities and electronic communication among our locations around the world and between our personnel and the personnel of our independent bottlers, contract manufacturers and suppliers. If we do not allocate and effectively manage the resources necessary to build and sustain the proper information technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, the loss of or damage to intellectual property, or the loss of sensitive or confidential data through security breach or otherwise.

We have embarked on multi-year business transformation initiatives to migrate certain of our financial processing systems to enterprise-wide systems solutions. There can be no certainty that these initiatives 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 applications 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 or 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, the loss of or damage to intellectual property through security breach, the loss of sensitive data through security breach or otherwise, litigation, or remediation costs and could have a negative impact on employee morale.

Our information systems could also be penetrated by outside parties intent on extracting confidential information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets, litigation, remediation costs, damage to our reputation and loss of revenue resulting from unauthorized use of confidential information or failure to retain or attract customers following such an event.

Fluctuations in exchange rates may have an adverse impact on our business results or financial condition.

We hold assets and incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, the financial statements of our subsidiaries outside the United States are translated into U.S. dollars. Our operations outside of the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates may therefore adversely impact our business results or financial condition. See also “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 1 to our consolidated financial statements.

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. The principal ingredients we use include apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit and other fruits, oats, oranges, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resin used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities due to their use in our plants and facilities and in the trucks delivering our products. Some of these raw materials and supplies are sourced internationally and some 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 results. In addition, we use derivatives to hedge price risk associated with forecasted purchases of certain raw materials. Certain of these derivatives that do not qualify for hedge accounting treatment can result in increased volatility in our net earnings in any given period due to changes in the spot prices of the underlying commodities. See also “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.”, “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.”, “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 1 to our consolidated financial statements.

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 our independent bottlers, contract manufacturers, independent distributors and retailers, to make, manufacture, distribute and sell products is critical to our success. Damage or disruption to our or their manufacturing or distribution capabilities due to any of the following could impair our ability to make, manufacture, distribute or sell our products: adverse weather conditions or natural disaster, such as a hurricane, earthquake or flooding; government action; fire; terrorism; the outbreak or escalation of armed hostilities; pandemic; industrial accidents or other occupational health and safety issues; strikes and other labor disputes; or other reasons beyond our control or the control of our suppliers and business partners. 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.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as sugar cane, corn, wheat, rice, oats, potatoes and various fruits. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in more regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations. See also “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.” and “Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.”

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, including our Chief Executive Officer, 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.

A portion of our workforce belongs to unions. Failure to successfully renew collective bargaining agreements, or strikes or work stoppages could cause our business to suffer.

Many of our employees are covered by collective bargaining agreements. These agreements expire on various dates. Strikes or work stoppages and interruptions could occur if we are unable to renew these agreements on satisfactory terms, which could adversely impact our operating results. The terms and conditions of existing or renegotiated agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations, or to complete divestitures, could have an adverse impact on our business, financial condition and results of operations.

We regularly evaluate potential acquisitions, joint ventures and divestitures. Potential issues associated with these activities could include, among other things, our ability to realize the full extent of the benefits or cost savings that we expect to realize as a result of the completion of an acquisition or the formation of a joint venture within the anticipated time frame, or at all; receipt of necessary consents, clearances and approvals in connection with an acquisition or joint venture; and diversion of management's attention from base strategies and objectives. In 2011, we acquired Wimm-Bill-Dann Foods OJSC (WBD), a Russian company. We continue to assess WBD's business practices, policies and procedures as well as its compliance with our Worldwide Code of Conduct and applicable laws and, as described under Item 9A. Controls and Procedures, we are in the process of integrating WBD into our overall internal control over financial reporting processes. With respect to acquisitions, including but not limited to the acquisition of WBD, the following also pose potential risks: our ability to successfully combine our businesses with the business of the acquired company, including integrating the manufacturing, distribution, sales and administrative support activities and information technology systems among our company and the acquired company and successfully operating in new categories; motivating, recruiting and retaining executives and key employees; conforming standards, controls (including internal control over financial reporting), procedures and policies, business cultures and compensation structures among our company and the acquired company; consolidating and streamlining corporate and administrative infrastructures; consolidating sales and marketing operations; retaining existing customers and attracting new customers; identifying and eliminating redundant and underperforming operations and assets; coordinating geographically dispersed organizations; and managing tax costs or inefficiencies associated with integrating our operations following completion of the acquisitions. With respect to joint ventures, we share ownership and management responsibility of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do and joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. In addition, acquisitions and joint ventures outside of the United States increase our exposure to risks associated with operations outside of the United States, including fluctuations in exchange rates and compliance with laws and regulations outside the United States. With respect to divestitures, we may not be able to complete proposed divestitures on terms commercially favorable to us. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, or if a divestiture is not successfully completed, our business, financial condition and results of operations could be adversely impacted.

Failure to successfully implement our global operating model could have an adverse impact on our business, financial condition and results of operations.

We recently created the Global Beverages Group and the Global Snacks Group, both of which are focused on innovation, research and development, brand management and best-practice sharing around the world, as well as collaborating with our Global Nutrition Group to grow our nutrition portfolio. If we are unable to successfully implement our global operating model, including retention of key employees, our business, financial condition and results of operations could be adversely impacted.

Failure to realize anticipated benefits from our productivity plan could have an adverse impact on our business, financial condition and results of operations.

We are implementing a strategic plan that we believe will position our business for future success and growth, to allow us to achieve a lower cost structure and operate efficiently in the highly competitive food, snack and beverage industries. In order to capitalize on our cost reduction efforts, it will be necessary to make certain investments in our business, which may be limited due to capital constraints. In addition, it is critical that we have the appropriate personnel in place to continue to lead and execute our plan. Our future success and earnings growth depends in part on our ability to reduce costs and improve efficiencies. If we are unable to successfully implement our productivity plan or fail to implement it as timely as we anticipate, our business, financial condition and results of operations could be adversely impacted.

Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.

Our objective is to maintain credit ratings that provide us with ready access to global capital and credit markets. Any downgrade of our current credit ratings by a credit rating agency, especially any downgrade to below investment grade, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. Our borrowing costs and access to the commercial paper market could also be adversely affected if a credit rating agency announces that our ratings are under review for a potential downgrade.

Our intellectual property rights could be infringed or challenged and reduce the value of our products and brands and have an adverse impact on our business, financial condition and results of operations.

We possess intellectual property rights that are important to our business. These intellectual property rights include ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets which are important to our business and 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. We protect our intellectual property rights globally through a combination of trademark, copyright, patent and trade secret laws, third-party assignment and nondisclosure agreements and monitoring of third-party misuses of our intellectual property. If we fail to obtain or adequately protect our ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets, or if there is a change in law that limits or removes the current legal protections of our intellectual property, the value of our products and brands could be reduced and there could be an adverse impact on our business, financial condition and results of operations. See also “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.”

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 2011 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’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 1,720 warehouses, distribution centers and offices. In addition, FLNA also utilizes approximately 40 plants and production processing facilities that are owned or leased by our contract manufacturers or co-packers. FLNA’s joint venture with Strauss Group also utilizes three plant facilities, one warehouse/distribution center and one office, all of which are owned or leased by the joint venture.

Quaker Foods North America

QFNA owns a plant in Cedar Rapids, Iowa, which is its most significant property. QFNA also owns four plants and production processing facilities and one office in North America. In addition, QFNA utilizes approximately 40 manufacturing plants, production processing facilities and distribution centers that are owned or leased by our contract manufacturers or co-packers.

Latin America Foods

LAF's most significant properties include two snack manufacturing plants in the Mexican cities of Celaya and Guadalajara, both of which are owned. LAF also owns or leases approximately 60 food manufacturing and processing plants and approximately 665 warehouses, distribution centers and offices. In addition, LAF also utilizes three properties owned by contract manufacturers or co-packers. LAF also utilizes one plant facility that is co-owned by a joint venture partner.

PepsiCo Americas Beverages

PAB's most significant properties include an office building in Somers, New York and an office building it shares with QFNA in downtown Chicago, Illinois, both of which are leased, and its Tropicana facility in Bradenton, Florida, its concentrate plants in Cork, Ireland and its research and development facility in Valhalla, New York, all of which are owned. PAB also owns or leases approximately 85 bottling and production plants and production processing facilities and approximately 445 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 15 bottling plants and 180 distribution centers. PAB also utilizes approximately 60 plants and production processing facilities and approximately 25 warehouses and distribution centers that are owned or leased by our contract manufacturers or co-packers. PAB also utilizes approximately 185 facilities that are co-owned by a joint venture partner.

Europe

Europe's most significant properties are its snack manufacturing and processing plant located in Leicester, United Kingdom which is leased, and its snack research and development facility in Leicester, United Kingdom, its beverage plant in Lebedyan, Russia and its dairy plant in Moscow, Russia, all of which are owned. Europe also owns or leases approximately 120 plants and approximately 670 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease one plant and four distribution centers. Europe also utilizes approximately 35 properties owned by contract manufacturers or co-packers. In addition, Europe utilizes one plant and production processing facility and three distribution centers that are co-owned by or co-leased with a joint venture partner.

Asia, Middle East & Africa

AMEA's most significant properties are its beverage plants located in Shenzhen, China, Sixth of October City, Egypt and Amman, Jordan and its snack manufacturing and processing plants located in Sixth of October City, Egypt and Tingalpa, Australia, all of which are owned. AMEA also owns or leases approximately 80 plants and approximately 1,265 warehouses, distribution centers and offices. In addition, authorized bottlers in which we have an ownership interest own or lease approximately 20 plants and 90 distribution centers. AMEA also utilizes approximately 60 properties owned by contract manufacturers or co-packers. In addition, AMEA also utilizes approximately 25 plants and production processing facilities and approximately 10 distribution centers that are co-owned by or co-leased with our joint venture partners.

Shared Properties

QFNA shares two offices with FLNA and approximately 20 warehouses and distribution centers and 5 offices with PAB, including a research and development laboratory in Barrington, Illinois. FLNA shares one production facility with LAF. PAB, Europe and AMEA share two production facilities. Europe and AMEA share a research and development facility and an office. PAB and LAF share four beverage plants and two offices. PAB and AMEA share two concentrate plants.

Item 3. Legal Proceedings.

We and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows. See also "Item 1. Business – Regulatory Environment and Environmental Compliance."

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

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

Zein Abdalla, 53, became Chief Executive Officer of PepsiCo Europe in November 2009. Mr. Abdalla joined PepsiCo in 1995 and has held a variety of senior positions. He has served as General Manager of PepsiCo's European Beverage Business, General Manager Tropicana Europe and Franchise Vice President for Pakistan and the Gulf region. From 2005 to 2008 he led PepsiCo's continental Europe operations. In September 2008 he went on to lead the complete portfolio of PepsiCo businesses in Europe. Prior to joining PepsiCo, Mr. Abdalla worked for Mars Incorporated in engineering and manufacturing roles, as well as in sales, marketing, human resources and general management.

Saad Abdul-Latif, 58, was appointed to the role of Chief Executive Officer of PepsiCo Asia, Middle East and Africa (AMEA) in November 2009. Mr. Abdul-Latif began his career with PepsiCo in 1982 where he held a wide range of international roles in PepsiCo's food and beverage businesses. In 1998, he was appointed General Manager for PepsiCo's beverage business in the MENAPAK Business Unit. In 2001, his region was expanded to include Africa and Central Asia. In 2004, the snacks business in his region was included under his leadership, forming the consolidated Middle East and Africa (MEA) Region. In September 2008, his responsibilities were extended to Asia, forming the new AMEA Division of PepsiCo International where he acted as President of AMEA.

Albert P. Carey, 60, has been Chief Executive Officer, PepsiCo Americas Beverages since September 2011. He served as President and Chief Executive Officer of Frito-Lay North America from June 2006 to September 2011. 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, 50, 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 29 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.

Marie T. Gallagher, 52, was appointed PepsiCo's Senior Vice President and Controller in May 2011. Ms. Gallagher joined PepsiCo in 2005 as Vice President and Assistant Controller. Prior to joining PepsiCo, Ms. Gallagher was Assistant Controller at Altria Corporate Services and, prior to that, a senior manager at Coopers & Lybrand.

Thomas Greco, 53, was appointed President of Frito-Lay North America in September 2011. Prior to that, Mr. Greco served as Executive Vice President and Chief Commercial Officer for Pepsi Beverages Company. Mr. Greco joined PepsiCo in Canada in 1986, and has served in a variety of positions, including Region Vice President, Midwest; President, Frito-Lay Canada; Senior Vice President, Sales, Frito-Lay North America; President, Global Sales, PepsiCo; and Executive Vice President, Sales, North America Beverages.

Enderson Guimaraes, 52, was appointed President of PepsiCo Global Operations in October 2011. Mr. Guimaraes most recently served as Executive Vice President of Electrolux and Chief Executive Officer of its major appliances business in Europe, Africa and the Middle East. Prior to this, Mr. Guimaraes spent 10 years at Philips Electronics, first as a regional marketing executive in Brazil and ultimately as Senior Vice President and head of Global Marketing Management and general manager of the WidiWall LED display business. He also served as CEO of Philips' Lifestyle Incubator group, an innovation engine which created new businesses and developed them over several years. Earlier, Mr. Guimaraes worked in various marketing positions at Danone and Johnson & Johnson.

Hugh F. Johnston, 50, was appointed Chief Financial Officer of PepsiCo in March 2010. He previously held the position of Executive Vice President, Global Operations since November 2009 and the position of 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.

Dr. Mehmood Khan, 53, has been Chief Executive Officer of PepsiCo's Global Nutrition Group since November 2010 and PepsiCo's Chief Scientific Officer since 2008. Prior to joining PepsiCo, Dr. Khan served for five years at Takeda Pharmaceuticals in various leadership roles including President of Research and Development and Chief Medical Officer. Dr. Khan also served at the Mayo Clinic until 2003 as the director of the Diabetes, Endocrinology and Nutrition Clinical Unit and as Consultant Physician in Endocrinology.

Indra K. Nooyi, 56, has been PepsiCo's Chief Executive Officer since October 2006 and assumed the role of Chairman of PepsiCo's Board of Directors in 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 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.

Maura Abeln Smith, 56, became PepsiCo's Executive Vice President, Public Policy, Government Affairs, General Counsel and Corporate Secretary in May 2011. Prior to joining PepsiCo, Ms. Smith served for eight years as Senior Vice President, General Counsel, Corporate Secretary and Global Government Relations of International Paper Company. From 1998 to 2003, she was Senior Vice President, General Counsel and Secretary at Owens Corning. From 2000 to 2003, she also served as Chief Restructuring Officer and a member of the Board of Directors of Owens Corning. Ms. Smith also spent seven years at General Electric where she was Vice President and General Counsel at the GE Plastics Division. Earlier in her career, Ms. Smith was a partner at the law firm Baker & McKenzie.

Cynthia M. Trudell, 58, has been PepsiCo's Executive Vice President and Chief Human Resources Officer since April, 2011 and was PepsiCo's Senior Vice President, Chief Personnel Officer from February 2007 until April 2011. 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.

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 2011 and 2010 are contained in our Selected Financial Data included on page 121.

Shareholders – At February 15, 2012, there were approximately 159,980 shareholders of record of our common stock.

Dividends – Dividends are usually declared in late January or early to mid-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 2, June 1, September 7 and December 7, 2012. We have paid consecutive quarterly cash dividends since 1965. Information with respect to the quarterly dividends declared in 2011 and 2010 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 of 2011 under the $15.0 billion repurchase program authorized by our Board of Directors and publicly announced on March 15, 2010 and expiring on June 30, 2013, is set forth in the table below. All such shares of common stock were repurchased pursuant to open market transactions.

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
9/3/11				$ 11,567
9/4/11 – 10/1/11	4.3	$ 61.39	4.3	(268)
				11,299
10/2/11 – 10/29/11	3.0	$ 61.52	3.0	(185)
				11,114
10/30/11 – 11/26/11	1.1	$ 62.46	1.1	(67)
				11,047
11/27/11 – 12/31/11	—	—	—	—
Total	8.4	$ 61.57	8.4	$ 11,047

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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
9/3/11				
9/4/11 – 10/1/11	1,200	$ 299.68	N/A	N/A
10/2/11 – 10/29/11	1,700	$ 309.46	N/A	N/A
10/30/11 – 11/26/11	—	—	N/A	N/A
11/27/11 – 12/31/11	2,600	$ 321.87	N/A	N/A
Total	5,500	$ 313.19	N/A	N/A

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Item 6. Selected Financial Data.

Selected Financial Data is included on page 121.

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 our consolidated financial statements and is provided as an addition to, and should be read in connection with, our consolidated financial statements and the accompanying notes. Definitions of key terms can be found in the glossary beginning on page 124. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

OUR BUSINESS

Executive Overview

We are a leading global food and beverage company with hundreds of brands that are respected household names throughout the world. Either independently or through contract manufacturers or authorized bottlers, we make, market, sell and distribute a variety of convenient and enjoyable foods and beverages in more than 200 countries and territories.

We continue to be guided by Performance with Purpose – our belief that what is good for business can and should be good for society. Our commitment to deliver sustainable growth by investing in a healthier future for people and our planet is as much of a financial decision as it is an ethical one. In 2011, PepsiCo earned a place on the prestigious Dow Jones Sustainability World Index for the fifth consecutive year, the North America Index for the sixth consecutive year and was ranked as the number one company in the index's Food and Beverage Supersector.

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

Strategies to Drive Our Growth into the Future

We made important strides in 2011. In 2012, our journey continues. We are pursuing specific strategic investment and productivity initiatives to build a stronger, more successful company. This includes an increased investment in our iconic, global brands, bringing innovation to market and increasing our advertising and marketing spending by approximately $500 to $600 million in 2012, the majority in North America. In addition, we have begun to implement a multi-year productivity program that we believe will further strengthen our complementary food and beverage businesses. These initiatives support our five strategic imperatives on which we continue to be focused.

Our first imperative is to build and extend our macrosnacks portfolio globally.

PepsiCo is the undisputed leader in macrosnacks around the world. We will work to grow our core salty snack brands—Lay's, Doritos, Cheetos and SunChips—while continuing to expand into adjacent categories like whole grain-based snacks. We will continue to create new flavors in tune with local tastes and leverage our go-to-market expertise to ensure our products are easily accessible in consumers' lives.

Our second imperative is to sustainably and profitably grow our beverage business worldwide.

Our beverage business remains large and highly profitable, accounting for approximately 52 percent of our net revenues in 2011. Our goal is to grow our developed market beverage business while building on promising gains in emerging and developing markets. We intend to continue to invest in and strengthen our most powerful and iconic beverage brands—Pepsi, Mountain Dew, Sierra Mist, 7UP (outside of the U.S.), Gatorade, Tropicana, Mirinda and Lipton (through our joint venture with Unilever).

Our third imperative is to build and expand our nutrition business.

Today, PepsiCo has three of the top brands in the category—Quaker, Tropicana and Gatorade—in a global market for health and wellness in consumer packaged goods that exceeds $500 billion, driven by strong demographic and consumer trends. Building from our core brands, we believe that we are well-positioned to grow our global nutrition portfolio.

Our fourth imperative is to increase and capitalize on the already high coincidence of snack and beverage consumption.

Snacks and beverages are complementary categories. When people reach for a salty snack, about 30 percent of the time, they reach for a carbonated beverage. Our ability to use that combined power goes beyond marketing—to innovation, production, distribution and brand management. We intend to increasingly capitalize on our cross-category presence to grow our positions in both snacks and beverages.

Our fifth imperative is to ensure prudent and responsible financial management.

Prudent financial management has always been a hallmark of PepsiCo. In 2012, we are bringing renewed focus to value creation in everything we do. We intend to continue to deliver attractive cash returns for shareholders by scrutinizing every capital expenditure, expense and working capital investment.

Our Operations

We are organized into four 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);
2) PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;
3) PepsiCo Europe, which includes all beverage, food and snack businesses in Europe; and
4) PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA.

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

- FLNA,
- QFNA,
- LAF,
- PAB,
- Europe, and
- AMEA.

Frito-Lay North America

Either independently or through contract manufacturers, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay’s potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips, SunChips multigrain snacks and Santitas tortilla chips. FLNA branded products are sold to independent distributors and retailers. In addition, FLNA’s joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads.

Quaker Foods North America

Either independently or through contract manufacturers, QFNA makes, markets, sells and distributes cereals, rice, pasta and other branded products. QFNA’s products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Quaker grits, Cap’n Crunch cereal, Life cereal, Rice-A-Roni side dishes, Quaker rice cakes, Pasta Roni and Near East side dishes. These branded products are sold to independent distributors and retailers.

Latin America Foods

Either independently or through contract manufacturers, LAF makes, markets, sells and distributes a number of snack food brands including Marias Gamesa, Doritos, Cheetos, Ruffles, Saladitas, Emperador, Tostitos and Sabritas, as well as many Quaker-brand cereals and snacks. These branded products are sold to independent distributors and retailers.

PepsiCo Americas Beverages

Either independently or through contract manufacturers, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods, under various beverage brands including Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Mirinda. PAB also, either independently or through contract manufacturers, makes, 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 independent bottlers. Furthermore, PAB manufactures and distributes certain brands licensed from Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper and Crush. PAB operates its own bottling plants and distribution facilities. PAB also sells concentrate and finished goods for our brands to authorized bottlers, and some of these branded finished goods are sold directly by us to independent distributors and retailers. We and the independent 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. However, the difference between BCS and CSE measures has been greatly reduced since our acquisitions of our anchor bottlers, PBG and PAS, on February 26, 2010, as we now consolidate these bottlers and thus eliminate the impact of differences between BCS and CSE for a substantial majority of PAB's total volume. While our revenues are not entirely based on BCS volume, as there continue to be independent bottlers in the supply chain, we believe that BCS is a valuable measure as it quantifies the sell-through of our products at the consumer level.

See Note 15 for additional information about our acquisitions of PBG and PAS in 2010.

Europe

Either independently or through contract manufacturers, Europe makes, markets, sells and distributes a number of leading snack foods including Lay's, Walkers, Doritos, Chudo, Cheetos and Ruffles, as well as many Quaker-brand cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or through contract manufacturers, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Pepsi Max, 7UP, Diet Pepsi and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. In addition, Europe licenses the Aquafina water brand to certain of its authorized bottlers and markets this brand. Europe also, either independently or through contract manufacturers, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name).

Europe reports two measures of volume. Snacks 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). In 2011, we acquired Wimm-Bill-Dann Foods OJSC, Russia's leading branded food and beverage company. WBD's portfolio of products is included within Europe's snacks or beverage reporting, depending on product type.

See Note 15 for additional information about our acquisition of WBD in 2011.

Asia, Middle East & Africa

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

Our Customers

Our primary customers include wholesale distributors, grocery stores, convenience stores, mass merchandisers, membership stores, authorized independent bottlers and foodservice distributors, including hotels and restaurants. We normally grant our independent 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 independent 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 independent 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 independent 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.

In 2011, sales to Wal-Mart (including Sam's) represented approximately 11% of our total net revenue. Our top five retail customers represented approximately 30% of our 2011 North American net revenue, with Wal-Mart (including Sam's) representing approximately 18%. These percentages include concentrate sales to our independent bottlers which were used in finished goods sold by them to these retailers.

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 independent 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 independent bottlers. This distribution system supplies our products to restaurants, businesses, schools, stadiums and similar locations.

Our Competition

Our businesses operate in highly competitive markets. Our beverage, snack and food brands compete against global, regional, local and private label manufacturers and other value competitors.

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.

Our snack and food brands hold significant leadership positions in the snack and food industry worldwide.

Our beverage, snack and food brands compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, the introduction of new products and the effectiveness of our advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques and brand and trademark development and protection. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allows 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 Pepsi Bottling Ventures LLC and other affiliated companies of PepsiCo and do not receive incremental compensation for their Board services.

Our Business Risks

We are subject to risks in the normal course of business. During 2011, the economic environment in Europe deteriorated and certain countries experienced debt and credit issues as well as currency fluctuations. We are identifying actions to potentially mitigate the unfavorable impact, if any, on our 2012 financial results. See also “Risk Factors” in Item 1A., “Executive Overview” above and “Market Risks” below for more information about these risks.

Risk Management Framework

The achievement of our strategic and operating objectives necessarily involves 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, address, manage, monitor and communicate risks across the Company. This framework includes:

- PepsiCo’s Board of Directors, which is responsible for overseeing the Company’s risk assessment and mitigation, receives updates on key risks throughout the year. The Audit Committee of the Board of Directors helps define PepsiCo’s risk management processes and assists the Board in its oversight of strategic, financial, operating, business, compliance, safety, reputational and other risks facing PepsiCo. The Compensation Committee of the Board of Directors assists the Board in overseeing potential risks that may be associated with the Company’s compensation programs.
- The PepsiCo Risk Committee (PRC), comprised of a cross-functional, geographically diverse, senior management group which meets regularly to identify, assess, prioritize and address our key risks;
- Division Risk Committees (DRCs), comprised of cross-functional senior management teams which meet regularly to identify, assess, prioritize and address division-specific business risks;
- PepsiCo’s Risk Management Office, which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PRC and the DRCs, identifies and assesses potential risks and facilitates ongoing communication between the parties, as well as with 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 Department, 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 non-cancelable 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. Cash flows from derivatives used to manage commodity, foreign exchange or interest risks are classified as operating activities. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk. See “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.” in “Risk Factors” in Item 1A.

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 market fluctuations.

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. 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 metals, energy and agricultural products.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $598 million as of December 31, 2011 and $590 million as of December 25, 2010. At the end of 2011, 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 2011 by $52 million.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $630 million as of December 31, 2011 and $266 million as of December 25, 2010. At the end of 2011, 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 2011 by $58 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 approximately 50% of our net revenue, with Russia, Mexico, Canada and the United Kingdom comprising approximately 23% of our net revenue. As a result, we are exposed to foreign currency risks. During 2011, favorable foreign currency contributed 1 percentage point to net revenue growth, primarily due to appreciation of the euro, Canadian dollar and Mexican peso. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

In addition, we continue to use the official exchange rate to translate the financial statements of our snack and beverage businesses in Venezuela. We use the official rate as we currently intend to remit dividends solely through the government-operated Foreign Exchange Administration Board (CADIVI). As of the beginning of our 2010 fiscal year, the results of our Venezuelan businesses were reported under hyperinflationary accounting. Consequently, the functional currency of our Venezuelan entities was changed from the bolivar fuerte (bolivar) to the U.S. dollar. Effective January 11, 2010, the Venezuelan government devalued the bolivar by resetting the official exchange rate from 2.15 bolivars per dollar to 4.3 bolivars per dollar; however, certain activities were permitted to access an exchange rate of 2.6 bolivars per dollar. We continue to use all available options to obtain U.S. dollars to meet our operational needs. In 2011 and 2010, the majority of our transactions were remeasured at the 4.3 exchange rate, and as a result of the change to hyperinflationary accounting and the devaluation of the bolivar, we recorded a one-time net charge of $120 million in the first quarter of 2010. In 2011 and 2010, our operations in Venezuela comprised 8% and 4% of our cash and cash equivalents balance, respectively, and generated less than 1% of our net revenue. As of January 1, 2011, the Venezuelan government unified the country’s two official exchange rates (4.3 and 2.6 bolivars per dollar) by eliminating the 2.6 bolivars per dollar rate, which was previously permitted for certain activities. This change did not have a material impact on our financial statements.

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, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Our foreign currency derivatives had a total face value of $2.3 billion as of December 31, 2011 and $1.7 billion as of December 25, 2010. At the end of 2011, we estimate that an unfavorable 10% change in the exchange rates would have decreased our net unrealized gains by $105 million. For foreign currency derivatives that do not qualify for hedge accounting treatment, 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 use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross-currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

Assuming year-end 2011 variable rate debt and investment levels, a 1-percentage-point increase in interest rates would have increased net interest expense by $55 million in 2011.

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 a 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;
- goodwill and other intangible assets;
- 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 certain 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 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 and storerooms 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 $34.6 billion in 2011, $29.1 billion in 2010 and $12.9 billion in 2009. 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 to independent bottlers 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. Certain arrangements, such as fountain pouring rights and sponsorship contracts, may extend beyond one year. Payments made to obtain these rights are recognized over the shorter of the economic or contractual life, as a reduction of revenue, and the remaining balances of $288 million as of December 31, 2011 and $296 million as of December 25, 2010 are included in current assets and other assets on our balance sheet.

For interim reporting, our policy is to allocate our forecasted full-year sales incentives for most of our programs to each of our interim reporting periods in the same year that benefits from the programs. The allocation methodology is based on our forecasted sales incentives for the full year and the proportion of each interim period's actual gross revenue to our forecasted annual gross revenue. Based on our review of the forecasts at each interim period, any changes in estimates and the related allocation of sales incentives are recognized in the interim period as they are identified. In addition, we apply a similar allocation methodology for interim reporting purposes for other marketplace spending, which includes the costs of advertising and other marketing activities. See Note 2 for additional information on our sales incentives and other marketplace spending. Our annual financial statements are not impacted by this interim allocation methodology.

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.

Goodwill and Other Intangible Assets

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. In a business combination, the consideration is first assigned to identifiable assets and liabilities, including brands, based on estimated fair values, with any excess 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 are not amortized and 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, if any. 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.

In connection with our acquisitions of PBG and PAS, we reacquired certain franchise rights which provided PBG and PAS with the exclusive and perpetual rights to manufacture and/or distribute beverages for sale in specified territories. In determining the useful life of these reacquired franchise rights, we considered many factors, including the pre-existing perpetual bottling arrangements, the indefinite period expected for the reacquired rights to contribute to our future cash flows, as well as the lack of any factors that would limit the useful life of the reacquired rights to us, including legal, regulatory, contractual, competitive, economic or other factors. Therefore, certain reacquired franchise rights, as well as perpetual brands and goodwill, are not amortized, but instead are tested for impairment at least annually. Certain reacquired and acquired franchise rights are amortized over the remaining contractual period of the contract in which the right was granted.

On December 7, 2009, we reached an agreement with DPSG to manufacture and distribute Dr Pepper and certain other DPSG products in the territories where they were previously sold by PBG and PAS. Under the terms of the agreement, we made an upfront payment of $900 million to DPSG on February 26, 2010. Based upon the terms of the agreement with DPSG, the amount of the upfront payment was capitalized and is not amortized, but instead is tested for impairment at least annually.

Significant 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. and “Our Business Risks.”

We did not recognize any impairment charges for goodwill in the years presented. In addition, as of December 31, 2011, we did not have any reporting units that were at risk of failing the first step of the goodwill impairment test. In connection with the merger and integration of WBD in 2011, we recorded a $14 million impairment charge for discontinued brands. We did not recognize any impairment charges for other nonamortizable intangible assets in 2010 and 2009. As of December 31, 2011, we had $31.4 billion of goodwill and other nonamortizable intangible assets, of which approximately 70% related to the acquisitions of PBG, PAS and WBD.

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 among 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 2011, our annual tax rate was 26.8% compared to 23.0% in 2010, as discussed in “Other Consolidated Results.” The tax rate in 2011 increased 3.8 percentage points primarily reflecting the prior year non-taxable gain and reversal of deferred taxes attributable to our previously held equity interests in connection with our acquisitions of PBG and PAS.

Pension and Retiree Medical Plans

Our pension plans cover certain 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. Certain 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.

As of February 2012, certain U.S. employees earning a benefit under one of our defined benefit pension plans will no longer be eligible for Company matching contributions on their 401(k) contributions.

See Note 7 for information about certain changes to our U.S. pension and retiree medical plans and changes in connection with our acquisitions of PBG and PAS.

Our Assumptions

The determination of pension and retiree medical plan obligations and related expenses requires the use of assumptions to estimate the amount of 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) the increase in the liability due to the passage of time (interest cost), and (3) other gains and losses as discussed below, reduced by (4) the 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;
- the expected return on assets in our funded plans;
- for pension expense, 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 historical 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 rates are based on interest rates for high-quality, long-term corporate debt securities with maturities comparable to those of our liabilities. 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. The Mercer Yield Curve includes bonds that closely match the timing and amount of our expected benefit payments.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return by asset class, taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. Our pension plan investment strategy includes the use of actively managed securities and is reviewed periodically in conjunction with 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 a well-diversified portfolio of equity and high-quality debt securities to achieve our long-term return expectations. 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%. Our 2011 target investment allocation was 40% for U.S. equity, 20% for international equity and 40% for fixed income. For 2012, our target allocations are as follows: 40% for fixed income, 33% for U.S. equity, 22% for international equity and 5% for real estate. The change to the 2012 target asset allocations was made to increase diversification. 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, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

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 based upon the average remaining service period of active plan participants, which is approximately 10 years for pension expense and approximately 8 years for retiree medical expense. 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.

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:

	2012	2011	2010
Pension			
Expense discount rate	4.6%	5.6%	6.0%
Expected rate of return on plan assets	7.6%	7.6%	7.6%
Expected rate of salary increases	3.8%	4.1%	4.4%
Retiree medical			
Expense discount rate	4.4%	5.2%	5.8%
Expected rate of return on plan assets	7.8%	7.8%	—
Current health care cost trend rate	6.8%	7.0%	7.5%

Based on our assumptions, we expect our pension and retiree medical expenses to increase in 2012 primarily driven by lower discount rates, partially offset by expected asset returns on contributions and changes to other actuarial assumptions.

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 2012 pension expense is an increase of approximately $62 million. The estimated impact on 2012 pension expense of a 25-basis-point decrease in the expected rate of return is an increase of approximately $31 million.

See Note 7 for information about the sensitivity of our retiree medical cost assumptions.

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. As our retiree medical plans are not subject to regulatory funding requirements, we generally fund these plans on a pay-as-you-go basis, although we periodically review available options to make additional contributions toward these benefits.

Our pension contributions for 2011 were $239 million, of which $61 million was discretionary. Our retiree medical contributions for 2011 were $110 million, none of which was discretionary.

In 2012, we expect to make pension and retiree medical contributions of approximately $1.3 billion, with up to approximately $1 billion expected to be discretionary. Our cash payments for retiree medical benefits are estimated to be approximately $124 million in 2012. 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.

OUR FINANCIAL RESULTS

Items Affecting Comparability

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

	2011	2010	2009
Net revenue			
53rd week	**$ 623**	—	—
Operating profit			
53rd week	**$ 109**	—	—
Mark-to-market net impact (losses)/gains	**$ (102)**	$ 91	$ 274
Restructuring and impairment charges	**$ (383)**	—	$ (36)
Merger and integration charges	**$ (313)**	$ (769)	$ (50)
Inventory fair value adjustments	**$ (46)**	$ (398)	—
Venezuela currency devaluation	**—**	$ (120)	—
Asset write-off	**—**	$ (145)	—
Foundation contribution	**—**	$ (100)	—
Bottling equity income			
Gain on previously held equity interests	**—**	$ 735	—
Merger and integration charges	**—**	$ (9)	$ (11)
Interest expense			
53rd week	**$ (16)**	—	—
Merger and integration charges	**$ (16)**	$ (30)	—
Debt repurchase	**—**	$ (178)	—
Net income attributable to PepsiCo			
53rd week	**$ 64**	—	—
Mark-to-market net impact (losses)/gains	**$ (71)**	$ 58	$ 173
Restructuring and impairment charges	**$ (286)**	—	$ (29)
Gain on previously held equity interests	**—**	$ 958	—
Merger and integration charges	**$ (271)**	$ (648)	$ (44)
Inventory fair value adjustments	**$ (28)**	$ (333)	—
Venezuela currency devaluation	**—**	$ (120)	—
Asset write-off	**—**	$ (92)	—
Foundation contribution	**—**	$ (64)	—
Debt repurchase	**—**	$ (114)	—
Net income attributable to PepsiCo per common share – diluted			
53rd week	**$ 0.04**	—	—
Mark-to-market net impact (losses)/gains	**$(0.04)**	$ 0.04	$ 0.11
Restructuring and impairment charges	**$(0.18)**	—	$(0.02)
Gain on previously held equity interests	**—**	$ 0.60	—
Merger and integration charges	**$(0.17)**	$(0.40)	$(0.03)
Inventory fair value adjustments	**$(0.02)**	$(0.21)	—
Venezuela currency devaluation	**—**	$(0.07)	—
Asset write-off	**—**	$(0.06)	—
Foundation contribution	**—**	$(0.04)	—
Debt repurchase	**—**	$(0.07)	—

53rd Week

In 2011, we had an additional week of results (53rd week). Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. The 53rd week increased 2011 net revenue by $623 million and operating profit by $109 million ($64 million after-tax or $0.04 per share).

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include metals, energy and agricultural products. 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. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

In 2011, we recognized $102 million ($71 million after-tax or $0.04 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

In 2010, we recognized $91 million ($58 million after-tax or $0.04 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In 2009, we recognized $274 million ($173 million after-tax or $0.11 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

Restructuring and Impairment Charges

In 2011, we incurred restructuring charges of $383 million ($286 million after-tax or $0.18 per share) in conjunction with our multi-year productivity plan (Productivity Plan), including $76 million recorded in the FLNA segment, $18 million recorded in the QFNA segment, $48 million recorded in the LAF segment, $81 million recorded in the PAB segment, $77 million recorded in the Europe segment, $9 million recorded in the AMEA segment and $74 million recorded in corporate unallocated expenses. The Productivity Plan includes actions in every aspect of our business that we believe will strengthen our complementary food, snack and beverage businesses by leveraging new technologies and processes across PepsiCo’s operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The Productivity Plan is expected to enhance PepsiCo’s cost-competitiveness, provide a source of funding for future brand-building and innovation initiatives, and serve as a financial cushion for potential macroeconomic uncertainty beyond 2012. As a result, we expect to incur pre-tax charges of approximately $910 million, $383 million of which was reflected in our 2011 results, approximately $425 million of which will be reflected in our 2012 results and the balance of which will be reflected in our 2013, 2014 and 2015 results. These charges will be comprised of approximately $500 million of severance and other employee-related costs; approximately $325 million for other costs, including consulting-related costs and the termination of leases and other contracts; and approximately $85 million for asset impairments (all non-cash) resulting from plant closures and related actions. These charges resulted in cash expenditures of $30 million in 2011, and we anticipate approximately $550 million of related cash expenditures during 2012, with the balance of approximately $175 million of related cash expenditures in 2013 through 2015. The Productivity Plan will be substantially completed by the end of 2012 with incremental productivity initiatives continuing through the end of 2015.

In 2009, we incurred charges of $36 million ($29 million after-tax or $0.02 per share) in conjunction with our Productivity for Growth program that began in 2008. The program included actions in all divisions of the business, including the closure of six plants, to increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. This program was completed in the second quarter of 2009.

Gain on Previously Held Equity Interests

In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.

Merger and Integration Charges

In 2011, we incurred merger and integration charges of $329 million ($271 million after-tax or $0.17 per share) related to our acquisitions of PBG, PAS and WBD, including $112 million recorded in the PAB segment, $123 million recorded in the Europe segment, $78 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. These charges also include closing costs and advisory fees related to our acquisition of WBD.

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. $467 million of these charges were recorded in the PAB segment, $111 million recorded in the Europe segment, $191 million recorded in corporate unallocated expenses and $30 million recorded in interest expense. The merger and integration charges related to our acquisitions of PBG and PAS were incurred to help create a more fully integrated supply chain and go-to-market business model, to improve the effectiveness and efficiency of the distribution of our brands and to enhance our revenue growth. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income. In total, the above charges had an after-tax impact of $648 million or $0.40 per share.

In 2009, we incurred $50 million of merger-related charges, as well as an additional $11 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS, recorded in bottling equity income. In total, these charges had an after-tax impact of $44 million or $0.03 per share.

Inventory Fair Value Adjustments

In 2011, we recorded $46 million ($28 million after-tax or $0.02 per share) of incremental costs in cost of sales related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date. Substantially all of these costs were recorded in cost of sales.

Venezuela Currency Devaluation

As of the beginning of our 2010 fiscal year, we recorded a one-time $120 million net charge related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar. $129 million of this net charge was recorded in corporate unallocated expenses, with the balance (income of $9 million) recorded in our PAB segment. In total, this net charge had an after-tax impact of $120 million or $0.07 per share.

Asset Write-Off

In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software. This change was driven, in part, by a review of our North America systems strategy following our acquisitions of PBG and PAS. This change does not impact our overall commitment to continue our implementation of SAP across our global operations over the next few years.

Foundation Contribution

In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation, Inc., in order to fund charitable and social programs over the next several years. This contribution was recorded in corporate unallocated expenses.

Debt Repurchase

In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

Non-GAAP Measures

Certain measures contained in this Form 10-K are financial measures that are adjusted for items affecting comparability (see "Items Affecting Comparability" for a detailed list and description of each of these items), as well as, in certain instances, adjusted for foreign currency. These measures are not in accordance with Generally Accepted Accounting Principles (GAAP). Items adjusted for currency assume foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates. We believe investors should consider these non-GAAP measures in evaluating our results as they are more indicative of our ongoing performance and with how management evaluates our operational results and trends. These measures are not, and should not be viewed as, a substitute for U.S. GAAP reporting measures.

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

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 2011, total servings increased 6% compared to 2010. Excluding the impact of the 53rd week, total servings increased 5% compared to 2010. In 2010, total servings increased 7% compared to 2009. 2011 servings growth reflects an adjustment to the base year (2010) for divestitures that occurred in 2011, as applicable.

Total Net Revenue and Operating Profit

				Change	
	2011	2010	2009	**2011**	2010
Total net revenue	**$66,504**	$57,838	$43,232	**15%**	34%
Operating profit					
FLNA	**$ 3,621**	$ 3,376	$ 3,105	**7%**	9%
QFNA	**797**	741	781	**8%**	(5)%
LAF	**1,078**	1,004	904	**7%**	11%
PAB	**3,273**	2,776	2,172	**18%**	28%
Europe	**1,210**	1,054	948	**15%**	11%
AMEA	**887**	708	700	**25%**	1%
Corporate Unallocated					
53rd week	**(18)**	—	—	**n/m**	—
Mark-to-market net impact (losses)/gains	**(102)**	91	274	**n/m**	(67)%
Restructuring and impairment charges	**(74)**	—	—	**n/m**	—
Merger and integration charges	**(78)**	(191)	(49)	**(59)%**	284%
Venezuela currency devaluation	**—**	(129)	—	**n/m**	n/m
Asset write-off	**—**	(145)	—	**n/m**	n/m
Foundation contribution	**—**	(100)	—	**n/m**	n/m
Other	**(961)**	(853)	(791)	**13%**	8%
Total operating profit	**$ 9,633**	$ 8,332	$ 8,044	**16%**	4%
Total operating profit margin	**14.5%**	14.4%	18.6%	**0.1**	(4.2)

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

2011

On a reported basis, total operating profit increased 16% and operating margin increased 0.1 percentage points. Operating profit growth was primarily driven by the net revenue growth, partially offset by higher commodity costs. Items affecting comparability (see “Items Affecting Comparability”) contributed 10 percentage points to the total operating profit growth and 1.2 percentage points to the total operating margin increase.

2010

On a reported basis, total operating profit increased 4% and operating margin decreased 4.2 percentage points. Operating profit performance was impacted by items affecting comparability (see “Items Affecting Comparability”), which reduced operating profit by 21 percentage points and contributed 2.9 percentage points to the total operating margin decline. Operating profit performance also reflects the incremental operating results from our acquisitions of PBG and PAS.

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Other Consolidated Results

	2011	2010	2009	Change **2011**	Change 2010
Bottling equity income	**—**	$ 735	$ 365	**$(735)**	$ 370
Interest expense, net	**$ (799)**	$ (835)	$ (330)	**$ 36**	$(505)
Annual tax rate	**26.8%**	23.0%	26.0%		
Net income attributable to PepsiCo	**$6,443**	$6,320	$5,946	**2%**	6%
Net income attributable to PepsiCo per common share – diluted	**$ 4.03**	$ 3.91	$ 3.77	**3%**	4%
53rd week	**(0.04)**	—	—		
Mark-to-market net impact losses/(gains)	**0.04**	(0.04)	(0.11)		
Restructuring and impairment charges	**0.18**	—	0.02		
Gain on previously held equity interests	**—**	(0.60)	—		
Merger and integration charges	**0.17**	0.40	0.03		
Inventory fair value adjustments	**0.02**	0.21	—		
Venezuela currency devaluation	**—**	0.07	—		
Asset write-off	**—**	0.06	—		
Foundation contribution	**—**	0.04	—		
Debt repurchase	**—**	0.07	—		
Net income attributable to PepsiCo per common share – diluted, excluding above items*	**$ 4.40**	$ 4.13**	$ 3.71	**7%**	12%
Impact of foreign currency translation				**(1)**	1
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis*				**5%****	12%**

* See "Non-GAAP Measures"

** Does not sum due to rounding

Prior to our acquisitions of PBG and PAS on February 26, 2010, we had noncontrolling interests in each of these bottlers and consequently included our share of their net income in bottling equity income. Upon consummation of the acquisitions in the first quarter of 2010, we began to consolidate the results of these bottlers and recorded a $735 million gain in bottling equity income associated with revaluing our previously held equity interests in PBG and PAS to fair value.

2011

Bottling equity income decreased $735 million, reflecting the gain in the prior year on our previously held equity interests in connection with our acquisitions of PBG and PAS.

Net interest expense decreased $36 million, primarily reflecting interest expense in the prior year in connection with our cash tender offer to repurchase debt in 2010, partially offset by higher average debt balances in 2011.

The reported tax rate increased 3.8 percentage points compared to 2010, primarily reflecting the prior year non-taxable gain and reversal of deferred taxes attributable to our previously held equity interests in connection with our acquisitions of PBG and PAS.

Net income attributable to PepsiCo increased 2% and net income attributable to PepsiCo per common share increased 3%. Items affecting comparability (see “Items Affecting Comparability”) decreased net income attributable to PepsiCo by 3 percentage points and net income attributable to PepsiCo per common share by 3.5 percentage points.

2010

Bottling equity income increased $370 million, primarily reflecting the gain on our previously held equity interests in connection with our acquisitions of PBG and PAS, partially offset by the consolidation of the related financial results of the acquired bottlers.

Net interest expense increased $505 million, primarily reflecting higher average debt balances, interest expense incurred in connection with our cash tender offer to repurchase debt, and bridge and term financing costs in connection with our acquisitions of PBG and PAS. These increases were partially offset by lower average rates on our debt balances.

The reported tax rate decreased 3.0 percentage points compared to the prior year, primarily reflecting the impact of our acquisitions of PBG and PAS, which includes the reversal of deferred taxes attributable to our previously held equity interests in PBG and PAS, as well as the favorable resolution of certain tax matters in 2010.

Net income attributable to PepsiCo increased 6% and net income attributable to PepsiCo per common share increased 4%. Items affecting comparability (see “Items Affecting Comparability”) decreased net income attributable to PepsiCo and net income attributable to PepsiCo per common share by 8 percentage points.

Results of Operations — Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. Accordingly, 2011 volume growth measures reflect an adjustment to the base year (2010) for divestitures that occurred in 2011. See "Items Affecting Comparability" for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Net Revenue, 2011	**$13,322**	**$2,656**	**$7,156**	**$22,418**	**$13,560**	**$ 7,392**	**$66,504**
Net Revenue, 2010	$12,573	$2,656	$6,315	$20,401	$ 9,602	$ 6,291	$57,838
% Impact of:							
Volume(a)	2%	(5)%	3.5%	*	*	10%	*
Effective net pricing(b)	3	4	8	*	*	6	*
Foreign exchange	—	1	2	1	3	2	1
Acquisitions and divestitures	—	—	—	*	*	—	*
% Change(c)	*6%*	*— %*	*13%*	*10%*	*41%*	*17%*	*15%*

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Net Revenue, 2010	$12,573	$2,656	$6,315	$20,401	$ 9,602	$ 6,291	$57,838
Net Revenue, 2009	$12,421	$2,687	$5,703	$10,116	$ 7,028	$ 5,277	$43,232
% Impact of:							
Volume(a)	— %	— %	3%	*	*	12%	*
Effective net pricing(b)	—	(2)	6	*	*	3	*
Foreign exchange	1	1	1	—	(1)	3	1
Acquisitions and divestitures	—	—	—	*	*	1	*
% Change(c)	*1%*	*(1)%*	*11%*	*102%*	*37%*	*19%*	*34%*

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

* It is impractical to separately determine and quantify the impact of our acquisitions of PBG and PAS from changes in our pre-existing beverage business since we now manage these businesses as an integrated system.

Frito-Lay North America

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$13,322**	$12,573	$12,421	**6**	1
53rd week	**(260)**	—	—		
Net revenue excluding above item*	**$13,062**	$12,573	$12,421	**4**	1
Impact of foreign currency translation				**—**	(1)
Net revenue growth excluding above item, on a constant currency basis*				**3.5****	—
Operating profit	**$ 3,621**	$ 3,376	$ 3,105	**7**	9
53rd week	**(72)**	—	—		
Restructuring and impairment charges	**76**	—	1		
Operating profit excluding above items*	**$ 3,625**	$ 3,376	$ 3,106	**7**	9
Impact of foreign currency translation				**—**	(1)
Operating profit growth excluding above items, on a constant currency basis*				**7**	8

* See "Non-GAAP Measures"

** Does not sum due to rounding

2011

Net revenue increased 6% and pound volume grew 3%. The volume growth primarily reflects double-digit growth in our Sabra joint venture and in variety packs, as well as mid-single-digit growth in trademark Doritos, Cheetos and Ruffles. These gains were partially offset by a double-digit decline in trademark SunChips. Net revenue growth also benefited from effective net pricing. The 53rd week contributed 2 percentage points to both net revenue and volume growth.

Operating profit grew 7%, primarily reflecting the net revenue growth. Restructuring charges reduced operating profit growth by 2 percentage points and were offset by the 53rd week, which contributed 2 percentage points to operating profit growth.

2010

Pound volume decreased 1%, primarily due to the overlap of the 2009 "20% More Free" promotion, as well as a double-digit decline in SunChips, partially offset by mid-single-digit growth in trademark Lay's. Net revenue grew 1%, primarily reflecting mid-single-digit revenue growth in trademark Lay's, double-digit revenue growth in variety packs and high-single-digit revenue growth in trademark Ruffles. These gains were partially offset by a double-digit revenue decline in SunChips and a mid-single-digit revenue decline in Tostitos. Foreign currency contributed 1 percentage point to the net revenue growth.

Operating profit grew 9%, reflecting lower commodity costs, primarily cooking oil.

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Quaker Foods North America

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$2,656**	$2,656	$2,687	**—**	(1)
53rd week	**(42)**	—	—		
Net revenue excluding above item*	**$2,614**	$2,656	$2,687	**(2)**	(1)
Impact of foreign currency translation				**(1)**	(1)
Net revenue growth excluding above item, on a constant currency basis*				**(2)****	(2)
Operating profit	**$ 797**	$ 741	$ 781	**8**	(5)
53rd week	**(12)**	—	—		
Restructuring and impairment charges	**18**	—	2		
Operating profit excluding above items*	**$ 803**	$ 741	$ 783	**8**	(5)
Impact of foreign currency translation				**(0.5)**	(1)
Operating profit growth excluding above items, on a constant currency basis*				**8****	(6)

* See "Non-GAAP Measures"

** Does not sum due to rounding

2011

Net revenue was flat and volume declined 5%. The volume decline primarily reflects double-digit volume declines in ready-to-eat cereals and Chewy granola bars, as well as a mid-single-digit decline in Aunt Jemima syrup and mix. The impact of positive net pricing, driven primarily by price increases taken in the fourth quarter of 2010, was partially offset by negative mix. Favorable foreign currency contributed nearly 1 percentage point to the net revenue performance. The 53rd week positively contributed almost 2 percentage points to both the net revenue and volume performance.

Operating profit grew 8%, primarily reflecting the favorable effective net pricing, partially offset by the volume declines. Gains on the divestiture of a business and the sale of a distribution center increased operating profit growth by 4 percentage points, and a change in accounting methodology for inventory contributed 2 percentage points to operating profit growth (see Note 1). Restructuring charges reduced operating profit growth by over 2 percentage points and were mostly offset by the 53rd week, which contributed 2 percentage points to operating profit growth.

2010

Net revenue declined 1% and volume was flat. Low-single-digit volume declines in Oatmeal and ready-to-eat cereals were mostly offset by high-single-digit growth in Chewy granola bars. Unfavorable mix and net pricing contributed to the net revenue decline. Favorable foreign currency positively contributed 1 percentage point to net revenue performance.

Operating profit declined 5%, primarily reflecting the net revenue performance, as well as insurance settlement recoveries recorded in the prior year related to the Cedar Rapids flood, which negatively impacted operating profit performance by over 2 percentage points.

Latin America Foods

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$7,156**	$6,315	$5,703	**13**	11
Impact of foreign currency translation				**(2)**	(1)
Net revenue growth, on a constant currency basis*				**11**	10
Operating profit	**$1,078**	$1,004	$ 904	**7**	11
Restructuring and impairment charges	**48**	—	3		
Operating profit excluding above item*	**$1,126**	$1,004	$ 907	**12**	11
Impact of foreign currency translation				**(1)**	—
Operating profit growth excluding above item, on a constant currency basis*				**11**	11

* See “Non-GAAP Measures”

2011

Volume increased 5%, primarily reflecting mid-single-digit increases in Brazil (excluding the impact of an acquisition in the fourth quarter) and at Gamesa in Mexico. Additionally, Sabritas in Mexico was up slightly. Acquisitions contributed 1 percentage point to the volume growth.

Net revenue increased 13%, primarily reflecting effective net pricing and the volume growth. Favorable foreign currency contributed 2 percentage points to net revenue growth. Acquisitions and divestitures had a nominal impact on the net revenue growth rate.

Operating profit grew 7%, driven by the net revenue growth, partially offset by higher commodity costs. Acquisitions and divestitures, which included a gain from the sale of a fish business in Brazil, contributed nearly 4 percentage points to operating profit growth. Restructuring charges reduced operating profit growth by 5 percentage points.

2010

Volume increased 4%, reflecting mid-single-digit increases at Sabritas in Mexico and Brazil. Additionally, Gamesa in Mexico grew at a low-single-digit rate.

Net revenue increased 11%, primarily reflecting favorable effective net pricing and the volume growth. Net revenue growth reflected 1 percentage point of favorable foreign currency, which was net of a 6-percentage-point unfavorable impact from Venezuela.

Operating profit grew 11%, primarily reflecting the net revenue growth. Unfavorable foreign currency reduced operating profit growth slightly, as an 8-percentage-point unfavorable impact from Venezuela was offset by favorable foreign currency in other markets.

PepsiCo Americas Beverages

				% Change	
	2011	2010	2009	**2011**	2010
Net revenue	**$22,418**	$20,401	$10,116	**10**	102
53rd week	**(288)**	—	—		
Net revenue excluding above item*	**$22,130**	$20,401	$10,116	**8**	102
Impact of foreign currency translation				**(1)**	—
Net revenue growth excluding above item, on a constant currency basis*				**8****	102
Operating profit	**$ 3,273**	$ 2,776	$ 2,172	**18**	28
53rd week	**(35)**	—	—		
Restructuring and impairment charges	**81**	—	16		
Merger and integration costs	**112**	467	—		
Inventory fair value adjustments	**21**	358	—		
Venezuela currency devaluation	**—**	(9)	—		
Operating profit excluding above items*	**$ 3,452**	$ 3,592	$ 2,188	**(4)**	64
Impact of foreign currency translation				**(0.5)**	4
Operating profit growth excluding above items, on a constant currency basis*				**(4)****	68

* See “Non-GAAP Measures”

** Does not sum due to rounding

2011

Volume increased 2%, primarily reflecting a 3% increase in Latin America volume, as well as volume from incremental brands related to our DPSG manufacturing and distribution agreement, which contributed 1 percentage point to volume growth. North America volume, excluding the impact of the incremental DPSG volume, increased slightly, as a 4% increase in non-carbonated beverage volume was partially offset by a 2% decline in CSD volume. The non-carbonated beverage volume growth primarily reflected a double-digit increase in Gatorade sports drinks. The 53rd week contributed 1 percentage point to volume growth.

Net revenue increased 10%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS. Favorable foreign currency contributed nearly 1 percentage point to net revenue growth and the 53rd week contributed over 1 percentage point to net revenue growth.

Reported operating profit increased 18%, primarily reflecting the items affecting comparability in the above table (see "Items Affecting Comparability"). Excluding these items, operating profit decreased 4%, mainly driven by higher commodity costs and higher selling and distribution costs, partially offset by the net revenue growth. Operating profit performance also benefited from the impact of certain insurance adjustments and more-favorable settlements of promotional spending accruals in the current year, which collectively contributed 2 percentage points to the reported operating profit growth. The net impact of the divestiture of our Mexico beverage business in the fourth quarter contributed 1 percentage point to reported operating profit growth and included a one-time gain associated with the contribution of this business to form a joint venture with both Grupo Embotelladoras Unidas S.A.B. de C.V. and Empresas Polar.

2010

Volume increased 10%, primarily reflecting volume from incremental brands related to our acquisition of PBG's operations in Mexico, which contributed over 6 percentage points to volume growth, as well as incremental volume related to our DPSG manufacturing and distribution agreement, entered into in connection with our acquisitions of PBG and PAS, which contributed over 5 percentage points to volume growth. North America volume, excluding the impact of the incremental DPSG volume, declined 1%, driven by a 3% decline in CSD volume, partially offset by a 1% increase in non-carbonated beverage volume. The non-carbonated beverage volume growth primarily reflected a mid-single-digit increase in Gatorade sports drinks and a high-single-digit increase in Lipton ready-to-drink teas, mostly offset by mid-single-digit declines in our base Aquafina water and Tropicana businesses.

Net revenue increased 102%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS.

Reported operating profit increased 28%, primarily reflecting the incremental operating results from our acquisitions of PBG and PAS, partially offset by the items affecting comparability in the above table (see "Items Affecting Comparability"). Excluding the items affecting comparability, operating profit increased 64%. Unfavorable foreign currency reduced operating profit performance by 4 percentage points, driven primarily by a 6-percentage-point unfavorable impact from Venezuela.

Europe

	2011	2010	2009	% Change 2011	% Change 2010
Net revenue	**$13,560**	$9,602	$7,028	**41**	37
53rd week	**(33)**	—	—		
Net revenue excluding above item*	**$13,527**	$9,602	$7,028	**41**	37
Impact of foreign currency translation				**(3)**	1
Net revenue growth excluding above item, on a constant currency basis*				**38**	38
Operating profit	**$ 1,210**	$1,054	$ 948	**15**	11
53rd week	**(8)**	—	—		
Restructuring and impairment charges	**77**	—	2		
Merger and integration costs	**123**	111	1		
Inventory fair value adjustments	**25**	40	—		
Operating profit excluding above items*	**$ 1,427**	$1,205	$ 951	**18**	27
Impact of foreign currency translation				**(4)**	1
Operating profit growth excluding above items, on a constant currency basis*				**14**	27**

* See “Non-GAAP Measures”

** Does not sum due to rounding

2011

Snacks volume grew 35%, primarily reflecting our acquisition of WBD, which contributed 31 percentage points to volume growth. Double-digit growth in Turkey and South Africa and high-single-digit growth in Russia (ex-WBD) was partially offset by a mid-single-digit decline in Spain. Additionally, Walkers in the United Kingdom experienced low-single-digit growth.

Beverage volume increased 21%, primarily reflecting our acquisition of WBD, which contributed 20 percentage points to volume growth, and incremental brands related to our acquisitions of PBG and PAS, which contributed nearly 1 percentage point to volume growth. A double-digit increase in Turkey and mid-single-digit increases in the United Kingdom and France were offset by a high-single-digit decline in Russia (ex-WBD).

Net revenue grew 41%, primarily reflecting our acquisition of WBD, which contributed 29 percentage points to net revenue growth, and the incremental finished goods revenue related to our acquisitions of PBG and PAS. Favorable foreign currency contributed 3 percentage points to net revenue growth.

Reported operating profit increased 15%, primarily reflecting the net revenue growth, partially offset by higher commodity costs. Our acquisition of WBD contributed 19 percentage points to the reported operating profit growth and reflected net charges of $56 million included in items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding the items affecting comparability, operating profit increased 18%. Favorable foreign currency contributed 4 percentage points to operating profit growth.

2010

Snacks volume increased 2%, reflecting high-single-digit growth in South Africa and Quaker in the United Kingdom, a double-digit increase in France and mid-single-digit increases in Russia and Turkey. These gains were partially offset by a double-digit decline in Romania and a low-single-digit decline in Spain. Additionally, Walkers in the United Kingdom experienced low-single-digit growth.

Beverage volume increased 10%, reflecting double-digit increases in Russia and Turkey, high-single-digit growth in Poland and France and a mid-single-digit increase in the United Kingdom. These gains were partially offset by a double-digit decline in Romania. Additionally, incremental brands related to our acquisitions of PBG and PAS contributed 5 percentage points to the beverage volume growth.

Net revenue grew 37%, primarily reflecting the incremental finished goods revenue related to our acquisitions of PBG and PAS. Unfavorable foreign currency reduced net revenue growth by over 1 percentage point.

Operating profit grew 11%, primarily reflecting incremental operating results from our acquisitions of PBG and PAS. Operating profit growth was also adversely impacted by the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding these items, operating profit increased 27%. Unfavorable foreign currency reduced operating profit growth by 1 percentage point.

Asia, Middle East & Africa

	2011	2010	2009	% Change 2011	% Change 2010
Net revenue	**$7,392**	$6,291	$5,277	**17**	19
Impact of foreign currency translation				**(2)**	(3)
Net revenue growth, on a constant currency basis*				**16****	16
Operating profit	**$ 887**	$ 708	$ 700	**25**	1
Restructuring and impairment charges	**9**	—	12		
Operating profit excluding above item*	**$ 896**	$ 708	$ 712	**27**	(1)
Impact of foreign currency translation				**(2.5)**	(3)
Operating profit growth excluding above item, on a constant currency basis*				**24****	(4)

* See "Non-GAAP Measures"

** Does not sum due to rounding

2011

Snacks volume grew 15%, reflecting broad-based increases driven by double-digit growth in India, China and the Middle East.

Beverage volume grew 5%, driven by double-digit growth in India and mid-single-digit growth in China and the Middle East. Acquisitions had a nominal impact on the beverage volume growth rate.

Net revenue grew 17%, reflecting the volume growth and favorable effective net pricing. Foreign currency contributed 2 percentage points to net revenue growth. Acquisitions had a nominal impact on net revenue growth.

Operating profit grew 25%, driven primarily by the net revenue growth, partially offset by higher commodity costs. Acquisitions and divestitures increased operating profit growth by 16 percentage points, primarily as a result of a one-time gain associated with the sale of our investment in our franchise bottler in Thailand. Favorable foreign currency contributed 2.5 percentage points to the operating profit growth.

2010

Snacks volume grew 16%, reflecting broad-based increases driven by double-digit growth in India, the Middle East and China, partially offset by a low-single-digit decline in Australia. Acquisitions contributed nearly 3 percentage points to the snacks volume growth.

Beverage volume grew 7%, driven by double-digit growth in India and China, partially offset by a low-single-digit decline in the Middle East. Acquisitions had a nominal impact on the beverage volume growth rate.

Net revenue grew 19%, reflecting the volume growth and favorable effective net pricing. Foreign currency contributed 3 percentage points to the net revenue growth. The net impact of acquisitions and divestitures contributed 1 percentage point to the net revenue growth.

Operating profit grew 1%, driven primarily by the net revenue growth, partially offset by higher commodity costs and increased investments in strategic markets. The net impact of acquisitions and divestitures reduced operating profit growth by 10 percentage points, primarily as a result of a one-time gain in the prior year associated with the contribution of our snacks business in Japan to form a joint venture with Calbee Foods Company. Favorable foreign currency contributed over 3 percentage points to the operating profit growth and the absence of restructuring and impairment charges in the current year contributed 2 percentage points.

Our Liquidity and Capital Resources

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 may 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 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. See Note 9 for a description of our credit facilities. See also “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.” in “Risk Factors” in Item 1A.

In addition, currency restrictions enacted by the government in Venezuela have impacted our ability to pay dividends outside of the country from our snack and beverage operations in Venezuela. As of December 31, 2011, our operations in Venezuela comprised 8% of our cash and cash equivalents balance.

Furthermore, 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. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures and share repurchases. These transactions may result in future cash proceeds or payments.

The table below summarizes our cash activity:

	2011	2010	2009
Net cash provided by operating activities	**$ 8,944**	$ 8,448	$ 6,796
Net cash used for investing activities	**$(5,618)**	$(7,668)	$(2,401)
Net cash (used for)/provided by financing activities	**$(5,135)**	$ 1,386	$(2,497)

Operating Activities

During 2011, net cash provided by operating activities was $8.9 billion, compared to net cash provided of $8.4 billion in the prior year. The increase over the prior year primarily reflects the overlap of discretionary pension contributions of $1.3 billion ($1.0 billion after-tax) in the prior year, partially offset by unfavorable working capital comparisons to the prior year.

During 2010, net cash provided by operating activities was $8.4 billion, compared to net cash provided of $6.8 billion in the prior year. The increase over the prior year primarily reflects the incremental operating results from our acquisitions of PBG and PAS, as well as favorable working capital comparisons to the prior year.

Also see “Management Operating Cash Flow” below for certain other items impacting net cash provided by operating activities.

Investing Activities

During 2011, net cash used for investing activities was $5.6 billion, primarily reflecting $3.3 billion for net capital spending and $2.4 billion of cash paid, net of cash and cash equivalents acquired, in connection with our acquisition of WBD.

During 2010, net cash used for investing activities was $7.7 billion, primarily reflecting $3.2 billion for net capital spending, $2.8 billion of net cash paid in connection with our acquisitions of PBG and PAS, and $0.9 billion of cash paid in connection with our manufacturing and distribution agreement with DPSG. We also paid $0.5 billion to acquire WBD American Depositary Shares (ADS) in the open market.

We anticipate capital spending in 2012 of approximately $3.0 billion.

Financing Activities

During 2011, net cash used for financing activities was $5.1 billion, primarily reflecting the return of operating cash flow to our shareholders through share repurchases and dividend payments of $5.6 billion, our purchase of an additional $1.4 billion of WBD ordinary shares (including shares underlying ADSs) and our repurchase of certain WBD debt obligations of $0.8 billion, partially offset by net proceeds from long-term debt of $1.4 billion and stock option proceeds of $0.9 billion.

During 2010, net cash provided by financing activities was $1.4 billion, primarily reflecting proceeds from issuances of long-term debt of $6.5 billion, mostly in connection with our acquisitions of PBG and PAS, and net proceeds from short-term borrowings of $2.5 billion. These increases were largely offset by the return of operating cash flow to our shareholders through share repurchases and dividend payments of $8.0 billion.

We annually review our capital structure with our Board, including our dividend policy and share repurchase activity. In the first quarter of 2012, our Board of Directors approved a 4% dividend increase, raising the dividend payable on our common stock, effective with the dividend payable in June 2012, to $2.15 per share. We expect to repurchase approximately $3.0 billion of our common stock in 2012.

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. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP cash flow measures. 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. Additionally, we consider certain items (included in the table below), in evaluating management operating cash flow. We believe investors should consider these items in evaluating our management operating cash flow results.

The table below reconciles net cash provided by operating activities, as reflected in our cash flow statement, to our management operating cash flow excluding the impact of the items below.

	2011	2010	2009
Net cash provided by operating activities	**$ 8,944**	$ 8,448	$ 6,796
Capital spending	**(3,339)**	(3,253)	(2,128)
Sales of property, plant and equipment	**84**	81	58
Management operating cash flow	**5,689**	5,276	4,726
Discretionary pension and retiree medical contributions (after-tax)	**44**	983	640
Payments related to restructuring charges (after-tax)	**21**	20	168
Merger and integration payments (after-tax)	**283**	299	49
Foundation contribution (after-tax)	**—**	64	—
Debt repurchase (after-tax)	**—**	112	—
Capital investments related to the PBG/PAS integration	**108**	138	—
Management operating cash flow excluding above items	**$ 6,145**	$ 6,892	$ 5,583

In 2011 and 2010, management operating cash flow was used primarily to repurchase shares and pay dividends. In 2009, management operating cash flow was used primarily to pay dividends. We expect to continue to return management operating cash flow to our shareholders through dividends and share repurchases while maintaining credit ratings that provide us with ready access to global and capital credit markets. However, see "Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings." in "Risk Factors" in Item 1A. and "Our Business Risks" for certain factors that may impact our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See "Our Business Risks", Note 9 and "Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings." in "Risk Factors" in Item 1A.

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. Additionally, 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.

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Consolidated Statement of Income
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009
(in millions except per share amounts)

	2011	2010	2009
Net Revenue	**$66,504**	$57,838	$43,232
Cost of sales	**31,593**	26,575	20,099
Selling, general and administrative expenses	**25,145**	22,814	15,026
Amortization of intangible assets	**133**	117	63
Operating Profit	**9,633**	8,332	8,044
Bottling equity income	**—**	735	365
Interest expense	**(856)**	(903)	(397)
Interest income and other	**57**	68	67
Income before income taxes	**8,834**	8,232	8,079
Provision for income taxes	**2,372**	1,894	2,100
Net income	**6,462**	6,338	5,979
Less: Net income attributable to noncontrolling interests	**19**	18	33
Net Income Attributable to PepsiCo	**$ 6,443**	$ 6,320	$ 5,946
Net Income Attributable to PepsiCo per Common Share			
Basic	**$ 4.08**	$ 3.97	$ 3.81
Diluted	**$ 4.03**	$ 3.91	$ 3.77
Weighted-average common shares outstanding			
Basic	**1,576**	1,590	1,558
Diluted	**1,597**	1,614	1,577
Cash dividends declared per common share	**$ 2.025**	$ 1.89	$ 1.775

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009
(in millions)

	2011	2010	2009
Operating Activities			
Net income	**$ 6,462**	$ 6,338	$ 5,979
Depreciation and amortization	**2,737**	2,327	1,635
Stock-based compensation expense	**326**	299	227
Restructuring and impairment charges	**383**	—	36
Cash payments for restructuring charges	**(31)**	(31)	(196)
Merger and integration costs	**329**	808	50
Cash payments for merger and integration costs	**(377)**	(385)	(49)
Gain on previously held equity interests in PBG and PAS	**—**	(958)	—
Asset write-off	**—**	145	—
Non-cash foreign exchange loss related to Venezuela devaluation	**—**	120	—
Excess tax benefits from share-based payment arrangements	**(70)**	(107)	(42)
Pension and retiree medical plan contributions	**(349)**	(1,734)	(1,299)
Pension and retiree medical plan expenses	**571**	453	423
Bottling equity income, net of dividends	**–**	42	(235)
Deferred income taxes and other tax charges and credits	**495**	500	284
Change in accounts and notes receivable	**(666)**	(268)	188
Change in inventories	**(331)**	276	17
Change in prepaid expenses and other current assets	**(27)**	144	(127)
Change in accounts payable and other current liabilities	**520**	488	(133)
Change in income taxes payable	**(340)**	123	319
Other, net	**(688)**	(132)	(281)
Net Cash Provided by Operating Activities	**8,944**	8,448	6,796
Investing Activities			
Capital spending	**(3,339)**	(3,253)	(2,128)
Sales of property, plant and equipment	**84**	81	58
Acquisitions of PBG and PAS, net of cash and cash equivalents acquired	**—**	(2,833)	—
Acquisition of manufacturing and distribution rights from DPSG	**—**	(900)	—
Acquisition of WBD, net of cash and cash equivalents acquired	**(2,428)**	–	—
Investment in WBD	**(164)**	(463)	—
Other acquisitions and investments in noncontrolled affiliates	**(601)**	(83)	(500)
Divestitures	**780**	12	99
Cash restricted for pending acquisitions	**—**	—	15
Short-term investments, by original maturity			
More than three months – purchases	**—**	(12)	(29)
More than three months – maturities	**21**	29	71
Three months or less, net	**45**	(229)	13
Other investing, net	**(16)**	(17)	–
Net Cash Used for Investing Activities	**(5,618)**	(7,668)	(2,401)

(Continued on following page)

Consolidated Statement of Cash Flows (continued)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009
(in millions)

	2011	2010	2009
Financing Activities			
Proceeds from issuances of long-term debt	**$ 3,000**	$ 6,451	$ 1,057
Payments of long-term debt	**(1,596)**	(59)	(226)
Debt repurchase	**(771)**	(500)	—
Short-term borrowings, by original maturity			
More than three months – proceeds	**523**	227	26
More than three months – payments	**(559)**	(96)	(81)
Three months or less, net	**339**	2,351	(963)
Cash dividends paid	**(3,157)**	(2,978)	(2,732)
Share repurchases – common	**(2,489)**	(4,978)	–
Share repurchases – preferred	**(7)**	(5)	(7)
Proceeds from exercises of stock options	**945**	1,038	413
Excess tax benefits from share-based payment arrangements	**70**	107	42
Acquisition of noncontrolling interests	**(1,406)**	(159)	—
Other financing	**(27)**	(13)	(26)
Net Cash (Used for)/Provided by Financing Activities	**(5,135)**	1,386	(2,497)
Effect of exchange rate changes on cash and cash equivalents	**(67)**	(166)	(19)
Net (Decrease)/Increase in Cash and Cash Equivalents	**(1,876)**	2,000	1,879
Cash and Cash Equivalents, Beginning of Year	**5,943**	3,943	2,064
Cash and Cash Equivalents, End of Year	**$ 4,067**	$ 5,943	$ 3,943
Non-cash activity:			
Issuance of common stock and equity awards in connection with our acquisitions of PBG and PAS, as reflected in investing and financing activities	**—**	$ 4,451	—

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet
PepsiCo, Inc. and Subsidiaries
December 31, 2011 and December 25, 2010
(in millions except per share amounts)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 4,067**	$ 5,943
Short-term investments	**358**	426
Accounts and notes receivable, net	**6,912**	6,323
Inventories	**3,827**	3,372
Prepaid expenses and other current assets	**2,277**	1,505
Total Current Assets	**17,441**	17,569
Property, Plant and Equipment, net	**19,698**	19,058
Amortizable Intangible Assets, net	**1,888**	2,025
Goodwill	**16,800**	14,661
Other nonamortizable intangible assets	**14,557**	11,783
Nonamortizable Intangible Assets	**31,357**	26,444
Investments in Noncontrolled Affiliates	**1,477**	1,368
Other Assets	**1,021**	1,689
Total Assets	**$ 72,882**	$ 68,153
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term obligations	**$ 6,205**	$ 4,898
Accounts payable and other current liabilities	**11,757**	10,923
Income taxes payable	**192**	71
Total Current Liabilities	**18,154**	15,892
Long-Term Debt Obligations	**20,568**	19,999
Other Liabilities	**8,266**	6,729
Deferred Income Taxes	**4,995**	4,057
Total Liabilities	**51,983**	46,677
Commitments and Contingencies		
Preferred Stock, no par value	**41**	41
Repurchased Preferred Stock	**(157)**	(150)
PepsiCo Common Shareholders’ Equity		
Common stock, par value $1^{2}/_{3}$¢ per share (authorized 3,600 shares, issued 1,865 shares)	**31**	31
Capital in excess of par value	**4,461**	4,527
Retained earnings	**40,316**	37,090
Accumulated other comprehensive loss	**(6,229)**	(3,630)
Repurchased common stock, at cost (301 and 284 shares, respectively)	**(17,875)**	(16,745)
Total PepsiCo Common Shareholders’ Equity	**20,704**	21,273
Noncontrolling interests	**311**	312
Total Equity	**20,899**	21,476
Total Liabilities and Equity	**$ 72,882**	$ 68,153

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Equity
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009
(in millions)

	2011		2010		2009	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Preferred Stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased Preferred Stock						
Balance, beginning of year	**(0.6)**	**(150)**	(0.6)	(145)	(0.5)	(138)
Redemptions	**(—)**	**(7)**	(—)	(5)	(0.1)	(7)
Balance, end of year	**(0.6)**	**(157)**	(0.6)	(150)	(0.6)	(145)
Common Stock						
Balance, beginning of year	**1,865**	**31**	1,782	30	1,782	30
Shares issued in connection with our acquisitions of PBG and PAS	**—**	**—**	83	1	—	—
Balance, end of year	**1,865**	**31**	1,865	31	1,782	30
Capital in Excess of Par Value						
Balance, beginning of year		**4,527**		250		351
Stock-based compensation expense		**326**		299		227
Stock option exercises/RSUs converted[a]		**(361)**		(500)		(292)
Withholding tax on RSUs converted		**(56)**		(68)		(36)
Equity issued in connection with our acquisitions of PBG and PAS		**—**		4,451		—
Other		**25**		95		—
Balance, end of year		**4,461**		4,527		250
Retained Earnings						
Balance, beginning of year		**37,090**		33,805		30,638
Net income attributable to PepsiCo		**6,443**		6,320		5,946
Cash dividends declared – common		**(3,192)**		(3,028)		(2,768)
Cash dividends declared – preferred		**(1)**		(1)		(2)
Cash dividends declared – RSUs		**(24)**		(12)		(9)
Other		**—**		6		—
Balance, end of year		**40,316**		37,090		33,805
Accumulated Other Comprehensive Loss						
Balance, beginning of year		**(3,630)**		(3,794)		(4,694)
Currency translation adjustment		**(1,529)**		312		800
Cash flow hedges, net of tax:						
Net derivative losses		**(83)**		(111)		(55)
Reclassification of net losses to net income		**14**		53		28
Pension and retiree medical, net of tax:						
Net pension and retiree medical (losses)/gains		**(1,110)**		(280)		21
Reclassification of net losses to net income		**133**		166		86
Unrealized (losses)/gains on securities, net of tax		**(8)**		23		20
Other		**(16)**		1		—
Balance, end of year		**(6,229)**		(3,630)		(3,794)
Repurchased Common Stock						
Balance, beginning of year	**(284)**	**(16,745)**	(217)	(13,383)	(229)	(14,122)
Share repurchases	**(39)**	**(2,489)**	(76)	(4,978)	—	—
Stock option exercises	**20**	**1,251**	24	1,487	11	649
Other	**2**	**108**	(15)	129	1	90
Balance, end of year	**(301)**	**(17,875)**	(284)	(16,745)	(217)	(13,383)
Total Common Shareholders' Equity		**20,704**		21,273		16,908
Noncontrolling Interests						
Balance, beginning of year		**312**		638		476
Net income attributable to noncontrolling interests		**19**		18		33
Distributions to noncontrolling interests, net		**(24)**		(6)		—
Currency translation adjustment		**65**		(13)		(12)
Acquisitions and divestitures		**(57)**		(326)		150
Other, net		**(4)**		1		(9)
Balance, end of year		**311**		312		638
Total Equity		**$ 20,899**		$ 21,476		$ 17,442

(a) Includes total tax benefits of $43 million in 2011, $75 million in 2010 and $31 million in 2009.

(Continued on following page)

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Consolidated Statement of Equity (continued)
PepsiCo, Inc. and Subsidiaries
Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009
(in millions)

	2011	2010	2009
Comprehensive Income			
Net income	**$ 6,462**	$6,338	$5,979
Other comprehensive (loss)/income			
Currency translation adjustment	**(1,464)**	299	788
Cash flow hedges, net of tax	**(69)**	(58)	(27)
Pension and retiree medical, net of tax:			
Net prior service (cost)/credit	**(10)**	22	(3)
Net (losses)/gains	**(967)**	(136)	110
Unrealized (losses)/gains on securities, net of tax	**(8)**	23	20
Other	**(16)**	1	—
	(2,534)	151	888
Comprehensive income	**3,928**	6,489	6,867
Comprehensive income attributable to noncontrolling interests	**(84)**	(5)	(21)
Comprehensive Income Attributable to PepsiCo	**$ 3,844**	$6,484	$6,846

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 using the equity method based on our economic ownership interest, our ability to exercise significant influence over the operating or financial decisions of these affiliates or our ability to direct their economic resources. We do not control these other affiliates, as our ownership in these other affiliates is generally less than 50%. 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. In 2011, we had an additional week of results (53rd week).

On February 26, 2010, we completed our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS). The results of the acquired companies in the U.S. and Canada are reflected in our consolidated results as of the acquisition date, and the international results of the acquired companies have been reported as of the beginning of our second quarter of 2010, consistent with our monthly international reporting calendar. The results of the acquired companies in the U.S., Canada and Mexico are reported within our PAB segment, and the results of the acquired companies in Europe, including Russia, are reported within our Europe segment. Prior to our acquisitions of PBG and PAS, we recorded our share of equity income or loss from the acquired companies in bottling equity income in our income statement. Our share of income or loss from other noncontrolled affiliates is reflected as a component of selling, general and administrative expenses. Additionally, in the first quarter of 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million, comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Notes 8 and 15 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.

As of the beginning of our 2010 fiscal year, the results of our Venezuelan businesses are reported under hyperinflationary accounting. See “Our Business Risks” and “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In the first quarter of 2011, Quaker Foods North America (QFNA) changed its method of accounting for certain U.S. inventories from the last-in, first-out (LIFO) method to the average cost method. This change is considered preferable by management as we believe that the average cost method of accounting for all U.S. foods inventories will improve our financial reporting by better matching revenues and expenses and better reflecting the current value of inventory. In addition, the change from the LIFO method to the average cost method will enhance the comparability of QFNA’s financial results with our other food businesses, as well as with peer companies where the average cost method is widely used. The impact of this change on consolidated net income in the first quarter of 2011 was approximately $9 million (or less than a penny per share). Prior periods were not restated as the impact of the change on previously issued financial statements was not considered material.

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 ongoing 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.

While our North America results are reported on a weekly calendar basis, most of our international operations report on a monthly calendar basis. The following chart details our quarterly reporting schedule in 2011, reflecting the extra week in the fourth quarter this year:

Quarter	U.S. and Canada	International
First Quarter	12 weeks	January, February
Second Quarter	12 weeks	March, April and May
Third Quarter	12 weeks	June, July and August
Fourth Quarter	17 weeks	September, October, November and December

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 2011 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, dairy products and other foods in over 200 countries and territories with our largest operations in North America (United States and Canada), Russia, 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 2011 was approximately 15% to FLNA, 2% to QFNA, 4% to LAF, 31% to PAB, 12% to Europe, 9% to AMEA and 27% to corporate unallocated expenses. We had similar allocations of stock-based compensation expense to our divisions in 2010 and 2009. 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 costs related to certain pension plan amendments and 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.

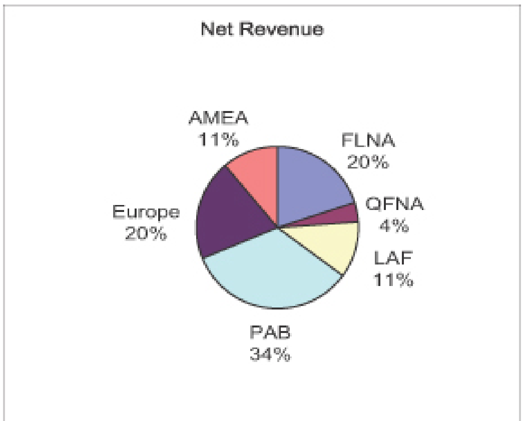
Derivatives

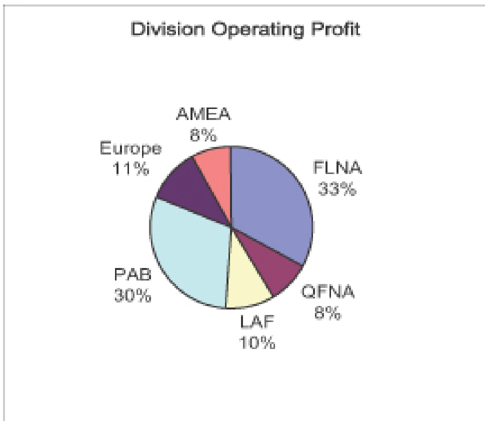
We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include metals, energy and agricultural products. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recognized in corporate unallocated expenses. These gains and losses are subsequently reflected in division results when the divisions take delivery of the underlying commodity. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses. These derivatives hedge underlying commodity price risk and were not entered into for speculative purposes.

	Net Revenue			*Operating Profit*[(a)]		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$13,322**	$12,573	$12,421	**$ 3,621**	$3,376	$3,105
QFNA	**2,656**	2,656	2,687	**797**	741	781
LAF	**7,156**	6,315	5,703	**1,078**	1,004	904
PAB	**22,418**	20,401	10,116	**3,273**	2,776	2,172
Europe[(b)]	**13,560**	9,602	7,028	**1,210**	1,054	948
AMEA	**7,392**	6,291	5,277	**887**	708	700
Total division	**66,504**	57,838	43,232	**10,866**	9,659	8,610
Corporate Unallocated						
53rd week				**(18)**	—	—
Net impact of mark-to-market on commodity hedges				**(102)**	91	274
Merger and integration costs				**(78)**	(191)	(49)
Restructuring and impairment charges				**(74)**	—	—
Venezuela currency devaluation				**—**	(129)	—
Asset write-off				**—**	(145)	—
Foundation contribution				**—**	(100)	—
Other				**(961)**	(853)	(791)
	$66,504	$57,838	$43,232	**$ 9,633**	$8,332	$8,044

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

(b) Change in net revenue in 2011 relates primarily to our acquisition of WBD.





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Corporate

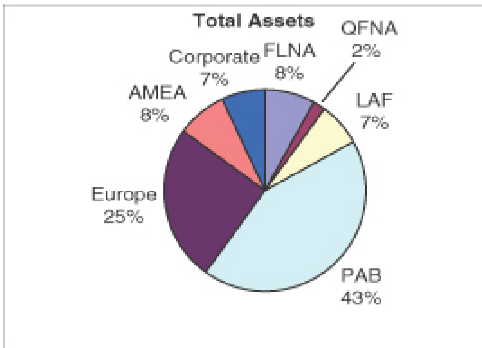
Corporate includes costs of our corporate headquarters, centrally managed initiatives, such as our ongoing global business transformation initiative and research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, certain commodity derivative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

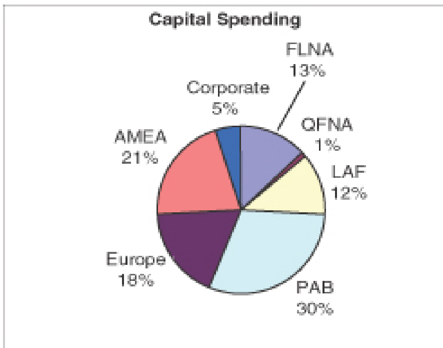
Other Division Information

	Total Assets			*Capital Spending*		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$ 6,120**	$ 6,027	$ 6,093	**$ 439**	$ 515	$ 478
QFNA	**1,174**	1,217	1,241	**43**	48	45
LAF	**4,731**	4,053	3,575	**413**	370	310
PAB	**31,187**	31,622	7,670	**1,006**	973	182
Europe (a)	**18,479**	13,032	9,471	**588**	517	370
AMEA	**6,048**	5,569	4,787	**693**	610	572
Total division	**67,739**	61,520	32,837	**3,182**	3,033	1,957
Corporate (b)	**5,143**	6,394	3,933	**157**	220	171
Investments in bottling affiliates	**—**	239	3,078	**—**	—	—
	$72,882	$68,153	$39,848	**$3,339**	$3,253	$2,128

(a) Changes in total assets in 2011 relate primarily to our acquisition of WBD.

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





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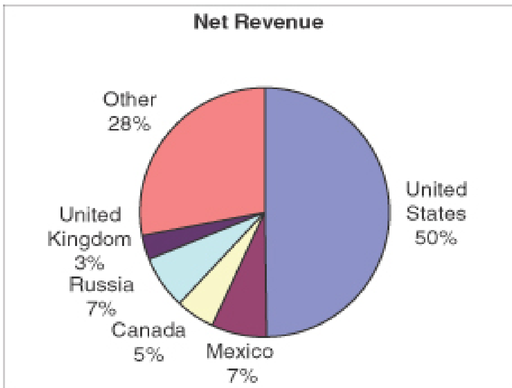
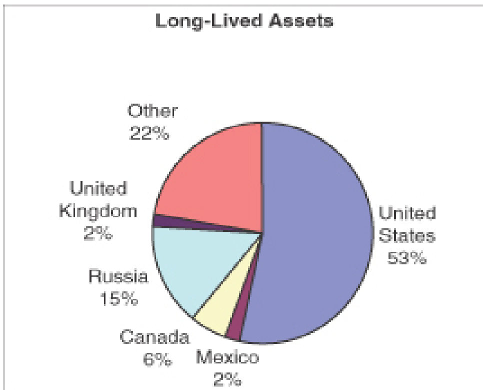
	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2011	2010	2009	**2011**	2010	2009
FLNA	**$ 7**	$ 7	$ 7	**$ 458**	$ 448	$ 428
QFNA	**—**	—	—	**54**	52	48
LAF	**10**	6	5	**238**	213	189
PAB	**65**	56	18	**865**	749	345
Europe	**39**	35	22	**522**	355	236
AMEA	**12**	13	11	**350**	294	239
Total division	**133**	117	63	**2,487**	2,111	1,485
Corporate	**—**	—	—	**117**	99	87
	$ 133	$ 117	$ 63	**$ 2,604**	$ 2,210	$ 1,572

	Net Revenue			Long-Lived Assets(a)		
	2011	2010	2009	**2011**	2010	2009
U.S.	**$33,053**	$30,618	$22,446	**$28,999**	$28,631	$12,496
Russia (b)	**4,954**	1,890	1,006	**8,236**	2,744	2,094
Mexico	**4,782**	4,531	3,210	**1,027**	1,671	1,044
Canada	**3,364**	3,081	1,996	**3,097**	3,133	688
United Kingdom	**2,075**	1,888	1,826	**1,011**	1,019	1,358
All other countries	**18,276**	15,830	12,748	**12,050**	11,697	8,632
	$66,504	$57,838	$43,232	**$54,420**	$48,895	$26,312

(a) 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.

(b) Changes in 2011 relate primarily to our acquisition of WBD.





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 certain 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, including Wal-Mart. In 2011, Wal-Mart (including Sam’s) represented approximately 11% of our total net revenue, including concentrate sales to our independent bottlers which are used in finished goods sold by them to Wal-Mart. 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 $34.6 billion in 2011, $29.1 billion in 2010 and $12.9 billion in 2009. 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 $288 million as of December 31, 2011 and $296 million as of December 25, 2010, 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 $3.5 billion in 2011, $3.4 billion in 2010 and $2.8 billion in 2009 and is reported as selling, general and administrative expenses. Included in these amounts were advertising expenses of $1.9 billion in 2011 and 2010 and $1.7 billion in 2009. 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 $163 million and $158 million at year-end 2011 and 2010, 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 $9.2 billion in 2011, $7.7 billion in 2010 and $5.6 billion in 2009.

Cash Equivalents

Cash equivalents are investments with original maturities of three months or less.

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. Software amortization totaled $156 million in 2011, $137 million in 2010 and $119 million in 2009. Net capitalized software and development costs were $1.3 billion as of December 31, 2011 and $1.1 billion as of December 25, 2010.

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 and continue to invest to accelerate growth in these activities and to drive innovation globally. 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 $525 million in 2011, $488 million in 2010 and $414 million in 2009 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 goodwill and other intangible assets, 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 June 2009, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the consolidation of variable interest entities (VIE). Among other things, the new guidance requires a qualitative rather than a quantitative assessment to determine the primary beneficiary of a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In addition, the amended guidance requires an ongoing reconsideration of the primary beneficiary. The provisions of this guidance were effective as of the beginning of our 2010 fiscal year, and the adoption did not have a material impact on our financial statements.

In the second quarter of 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA changes the tax treatment related to an existing retiree drug subsidy (RDS) available to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. As a result of the PPACA, RDS payments will effectively become taxable in tax years beginning in 2013, by requiring the amount of the subsidy received to be offset against our deduction for health care expenses. The provisions of the PPACA required us to record the effect of this tax law change beginning in our second quarter of 2010, and consequently we recorded a one-time related tax charge of $41 million in the second quarter of 2010. We continue to evaluate the longer-term impacts of this legislation.

In June 2011, the FASB amended its accounting guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. In December 2011, the FASB approved a deferral of the effective date of certain requirements related to the presentation and disclosure of reclassification adjustments from other comprehensive income to net income. The provisions of the retained guidance are effective as of the beginning of our 2012 fiscal year. We do not expect the adoption of this guidance to have a material impact on our financial statements.

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. An entity would continue to perform the historical first step of the impairment test if it fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance are effective for our 2012 goodwill impairment test. We are currently evaluating the impact of the new guidance on our financial statements.

In September 2011, the FASB amended its guidance regarding the disclosure requirements for employers participating in multiemployer pension and other postretirement benefit plans (multiemployer plans) to improve transparency and increase awareness of the commitments and risks involved with participation in multiemployer plans. The new accounting guidance requires employers participating in multiemployer plans to provide additional quantitative and qualitative disclosures to provide users with more detailed information regarding an employer's involvement in multiemployer plans. The provisions of this new guidance were effective as of the beginning of our 2011 fiscal year. We have reviewed our level of participation in multiemployer plans and determined that the impact of adopting this new guidance did not have a material impact on our financial statements.

In December 2011, the FASB issued new disclosure requirements that are intended to enhance current disclosures on offsetting financial assets and liabilities. The new disclosures require an entity to disclose both gross and net information about financial instruments eligible for offset on the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The provisions of the new disclosure requirements are effective as of the beginning of our 2014 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements.

Note 3 — Restructuring, Impairment and Integration Charges

In 2011, we incurred restructuring charges of $383 million ($286 million after-tax or $0.18 per share) in conjunction with our multi-year Productivity Plan. All of these charges were recorded in selling, general and administrative expenses. The Productivity Plan includes actions in every aspect of our business, that we believe will strengthen our complementary food, snack and beverage businesses by leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The Productivity Plan is expected to enhance PepsiCo's cost-competitiveness, provide a source of funding for future brand-building and innovation initiatives, and serve as a financial cushion for potential macroeconomic uncertainty beyond 2012.

A summary of our Productivity Plan charges in 2011 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
FLNA	$ 74	$ 2	$ 76
QFNA	18	—	18
LAF	46	2	48
PAB	75	6	81
Europe	65	12	77
AMEA	9	—	9
Corporate	40	34	74
	$ 327	$ 56	$383

A summary of our Productivity Plan activity in 2011 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
2011 restructuring charges	$ 327	$ 56	$383
Cash payments	(1)	(29)	(30)
Non-cash charges	(25)	—	(25)
Liability as of December 31, 2011	$ 301	$ 27	$328

In 2011, we incurred merger and integration charges of $329 million ($271 million after-tax or $0.17 per share) related to our acquisitions of PBG, PAS and WBD, including $112 million recorded in the PAB segment, $123 million recorded in the Europe segment, $78 million recorded in corporate unallocated expenses and $16 million recorded in interest expense. All of these net charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. These charges also include closing costs and advisory fees related to our acquisition of WBD. Substantially all cash payments related to the above charges were made by the end of 2011.

In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. $467 million of these charges were recorded in the PAB segment, $111 million recorded in the Europe segment, $191 million recorded in corporate unallocated expenses and $30 million recorded in interest expense. All of these charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. The merger and integration charges related to our acquisitions of PBG and PAS were incurred to help create a more fully integrated supply chain and go-to-market business model, to improve the effectiveness and efficiency of the distribution of our brands and to enhance our revenue growth. These charges also include closing costs, one-time financing costs and advisory fees related to our acquisitions of PBG and PAS. In addition, we recorded $9 million of merger–related charges, representing our share of the respective merger costs of PBG and PAS, in bottling equity income. Substantially all cash payments related to the above charges were made by the end of 2011. In total, these charges had an after-tax impact of $648 million or $0.40 per share.

A summary of our merger and integration activity is as follows:

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
2010 merger and integration charges	$ 396	$ 132	$ 280	$ 808
Cash payments	(114)	—	(271)	(385)
Non-cash charges	(103)	(132)	16	(219)
Liability as of December 25, 2010	179	—	25	204
2011 merger and integration charges	146	34	149	329
Cash payments	(191)	—	(186)	(377)
Non-cash charges	(88)	(34)	19	(103)
Liability as of December 31, 2011	$ 46	$ —	$ 7	$ 53

In 2009, we incurred $50 million of charges related to the merger of PBG and PAS, of which substantially all was paid in 2009. In 2009, we also incurred charges of $36 million ($29 million after-tax or $0.02 per share) in conjunction with our Productivity for Growth program that began in 2008. The program included actions in all divisions of the business, including the closure of six plants, to increase cost competitiveness across the supply chain, upgrade and streamline our product portfolio, and simplify the organization for more effective and timely decision-making. These charges were recorded in selling, general and administrative expenses. This program was completed in the second quarter of 2009 and substantially all cash payments related to these charges were made by the end of 2010.

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A summary of our Productivity for Growth charges in 2009 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
FLNA	$ —	$ 1	$ 1
QFNA	—	2	2
LAF	3	—	3
PAB	6	10	16
Europe	2	—	2
AMEA	6	6	12
	$ 17	$ 19	$ 36

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

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
Liability as of December 27, 2008	$ 134	$ —	$ 64	$ 198
2009 restructuring and impairment charges	17	12	7	36
Cash payments	(128)	—	(68)	(196)
Currency translation	(14)	(12)	25	(1)
Liability as of December 26, 2009	9	—	28	37
Cash payments	(6)	—	(25)	(31)
Non-cash charges	(2)	—	(1)	(3)
Currency translation	—	—	(1)	(1)
Liability as of December 25, 2010	$ 1	$ —	$ 1	$ 2

Note 4 — Property, Plant and Equipment and Intangible Assets

	Average Useful Life	2011	2010	2009
Property, plant and equipment, net				
Land and improvements	10 – 34 yrs.	**$ 1,951**	$ 1,976	
Buildings and improvements	15 – 44	**7,565**	7,054	
Machinery and equipment, including fleet and software	5 – 15	**23,798**	22,091	
Construction in progress		**1,826**	1,920	
		35,140	33,041	
Accumulated depreciation		**(15,442)**	(13,983)	
		$ 19,698	$ 19,058	
Depreciation expense		**$ 2,476**	$ 2,124	$1,500
Amortizable intangible assets, net				
Acquired franchise rights	56 – 60	**$ 916**	$ 949	
Reacquired franchise rights	1 – 14	**110**	110	
Brands	5 – 40	**1,417**	1,463	
Other identifiable intangibles	10 – 24	**777**	747	
		3,220	3,269	
Accumulated amortization		**(1,332)**	(1,244)	
		$ 1,888	$ 2,025	
Amortization expense		**$ 133**	$ 117	$ 63

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 existing intangible assets as of December 31, 2011 and using average 2011 foreign exchange rates, is expected to be $122 million in 2012, $113 million in 2013, $98 million in 2014, $89 million in 2015 and $81 million in 2016.

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 policies for amortizable brands, 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. We did not recognize any impairment charges for goodwill in the years presented. In connection with the merger and integration of WBD in 2011, we recorded a $14 million impairment charge for discontinued brands. We did not recognize any impairment charges for other nonamortizable intangible assets in 2010. The change in the book value of nonamortizable intangible assets is as follows:

	Balance, Beginning 2010	Acquisitions	Translation and Other	Balance, End of 2010	Acquisitions/ (Divestitures)	Translation and Other	**Balance, End of 2011**
FLNA							
Goodwill	$ 306	$ —	$ 7	$ 313	$ —	$ (2)	**$ 311**
Brands	30	—	1	31	—	(1)	**30**
	336	—	8	344	—	(3)	**341**
QFNA							
Goodwill	175	—	—	175	—	—	**175**
LAF							
Goodwill	479	—	18	497	331	(35)	**793**
Brands	136	—	7	143	20	(6)	**157**
	615	—	25	640	351	(41)	**950**
PAB (a)							
Goodwill	2,431	7,476	39	9,946	(27)	13	**9,932**
Reacquired franchise rights	—	7,229	54	7,283	77	(18)	**7,342**
Acquired franchise rights	—	660	905(b)	1,565	(1)	(2)	**1,562**
Brands	112	66	4	182	(20)	6	**168**
Other	—	10	—	10	(9)	(1)	**—**
	2,543	15,441	1,002	18,986	20	(2)	**19,004**
Europe (a) (c)							
Goodwill	2,625	583	(168)	3,040	2,131	(271)	**4,900**
Reacquired franchise rights	—	810	(17)	793	—	(61)	**732**
Acquired franchise rights	—	232	(5)	227	—	(9)	**218**
Brands	1,378	88	(86)	1,380	3,114	(316)	**4,178**
	4,003	1,713	(276)	5,440	5,245	(657)	**10,028**
AMEA							
Goodwill	518	116	56	690	—	(1)	**689**
Brands	126	26	17	169	—	1	**170**
	644	142	73	859	—	—	**859**
Total goodwill	6,534	8,175	(48)	14,661	2,435	(296)	**16,800**
Total reacquired franchise rights	—	8,039	37	8,076	77	(79)	**8,074**
Total acquired franchise rights	—	892	900	1,792	(1)	(11)	**1,780**
Total brands	1,782	180	(57)	1,905	3,114	(316)	**4,703**
Total other	—	10	—	10	(9)	(1)	**—**
	$ 8,316	$ 17,296	$ 832	$ 26,444	$ 5,616	$ (703)	**$ 31,357**

(a) Net increases in 2010 relate primarily to our acquisitions of PBG and PAS.

(b) Includes $900 million related to our upfront payment to DPSG to manufacture and distribute Dr Pepper and certain other DPSG products.

(c) Net increases in 2011 relate primarily to our acquisition of WBD.

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Note 5 — Income Taxes

		2011	2010	2009
Income before income taxes				
U.S.		**$ 3,964**	$4,008	$4,209
Foreign		**4,870**	4,224	3,870
		$ 8,834	$8,232	$8,079
Provision for income taxes				
Current:	U.S. Federal	**$ 611**	$ 932	$1,238
	Foreign	**882**	728	473
	State	**124**	137	124
		1,617	1,797	1,835
Deferred:	U.S. Federal	**789**	78	223
	Foreign	**(88)**	18	21
	State	**54**	1	21
		755	97	265
		$ 2,372	$1,894	$2,100
Tax rate reconciliation				
U.S. Federal statutory tax rate		**35.0%**	35.0%	35.0%
State income tax, net of U.S. Federal tax benefit		**1.3**	1.1	1.2
Lower taxes on foreign results		**(8.7)**	(9.4)	(7.9)
Acquisitions of PBG and PAS		**—**	(3.1)	—
Other, net		**(0.8)**	(0.6)	(2.3)
Annual tax rate		**26.8%**	23.0%	26.0%
Deferred tax liabilities				
Investments in noncontrolled affiliates		**$ 41**	$ 74	
Debt guarantee of wholly owned subsidiary		**828**	828	
Property, plant and equipment		**2,466**	1,984	
Intangible assets other than nondeductible goodwill		**4,297**	3,726	
Other		**184**	647	
Gross deferred tax liabilities		**7,816**	7,259	
Deferred tax assets				
Net carryforwards		**1,373**	1,264	
Stock-based compensation		**429**	455	
Retiree medical benefits		**504**	579	
Other employee-related benefits		**695**	527	
Pension benefits		**545**	291	
Deductible state tax and interest benefits		**339**	320	
Long-term debt obligations acquired		**223**	291	
Other		**822**	904	
Gross deferred tax assets		**4,930**	4,631	
Valuation allowances		**(1,264)**	(875)	
Deferred tax assets, net		**3,666**	3,756	
Net deferred tax liabilities		**$ 4,150**	$3,503	

	2011	2010	2009
Deferred taxes included within:			
Assets:			
Prepaid expenses and other current assets	**$ 845**	$ 554	
Liabilities:			
Deferred income taxes	**$4,995**	$4,057	
Analysis of valuation allowances			
Balance, beginning of year	**$ 875**	$ 586	$657
Provision/(Benefit)	**464**	75	(78)
Other (deductions)/additions	**(75)**	214	7
Balance, end of year	**$1,264**	$ 875	$586

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.

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. – during 2011, our tax court trial related to classification of financial instruments was completed for the 1998-2002 audit cycle. We are currently awaiting a decision by the judge. We continue to dispute with the IRS Appeals Division three matters related to the 2003-2005 audit cycle. During 2011, all but three issues, which are currently under review by the IRS Appeals Division, were resolved for tax years 2006-2007. We are currently under audit for tax years 2008-2009;
- Mexico – audits have been completed for all taxable years through 2005. We are currently under audit for 2006;
- United Kingdom – audits have been completed for all taxable years through 2007;
- Canada – domestic audits have been substantially completed for all taxable years through 2007. International audits have been completed for all taxable years through 2005; and
- Russia – audits have been substantially completed for all taxable years through 2008.

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."

As of December 31, 2011, the total gross amount of reserves for income taxes, reported in other liabilities, was $2,167 million. 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 $660 million as of December 31, 2011, of which $90 million was recognized in 2011. The gross amount of interest accrued was $570 million as of December 25, 2010, of which $135 million was recognized in 2010.

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

	2011	2010
Balance, beginning of year	**$2,022**	$1,731
Additions for tax positions related to the current year	**233**	204
Additions for tax positions from prior years	**147**	517
Reductions for tax positions from prior years	**(46)**	(391)
Settlement payments	**(156)**	(30)
Statute of limitations expiration	**(15)**	(7)
Translation and other	**(18)**	(2)
Balance, end of year	**$2,167**	$2,022

Carryforwards and Allowances

Operating loss carryforwards totaling $10.0 billion at year-end 2011 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: $0.1 billion in 2012, $8.2 billion between 2013 and 2031 and $1.7 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

As of December 31, 2011, we had approximately $34.1 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 designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. Stock options and restricted stock units (RSU) are granted to employees under the shareholder-approved 2007 Long-Term Incentive Plan (LTIP), the only stock-based plan under which we currently grant stock options and

RSUs. Stock-based compensation expense was $343 million in 2011, $352 million in 2010 and $227 million in 2009. In 2011, $326 million was recorded as stock-based compensation expense, $13 million was included in merger and integration charges and $4 million was included in restructuring charges. In 2010, $299 million was recorded as stock-based compensation expense and $53 million was included in merger and integration charges. $86 million of the $352 million recorded in 2010 was related to the unvested acquisition-related grants described below. Income tax benefits related to stock-based compensation expense and recognized in earnings were $101 million in 2011, $89 million in 2010 and $67 million in 2009. At year-end 2011, 136 million shares were available for future stock-based compensation grants.

In connection with our acquisition of PBG in 2010, we issued 13.4 million stock options and 2.7 million RSUs at weighted-average grant prices of $42.89 and $62.30, respectively, to replace previously held PBG equity awards. In connection with our acquisition of PAS in 2010, we issued 0.4 million stock options at a weighted-average grant price of $31.72 to replace previously held PAS equity awards. Our equity issuances included 8.3 million stock options and 0.6 million RSUs which were vested at the acquisition date and were included in the purchase price. The remaining 5.5 million stock options and 2.1 million RSUs issued were unvested at the issuance date and are being amortized over their remaining vesting period, up to 3 years from the issuance date.

As a result of our annual benefits review in 2010, the Company approved certain changes to our benefits programs to remain market competitive relative to other leading global companies. These changes included ending the Company's broad-based SharePower stock option program. Consequently, beginning in 2011, no new awards were granted under the SharePower program. Outstanding SharePower awards from 2010 and earlier continue to vest and are exercisable according to the terms and conditions of the program. See Note 7 for additional information regarding other related changes.

Method of Accounting and Our Assumptions

We account for our employee stock options 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 generally 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, through 2011, are granted 50% stock options and 50% performance-based RSUs.

Beginning in 2012, senior officers will be granted 60% market stock units and 40% long-term cash awards, each of which will be subject to pre-established performance targets. 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:

	2011	2010	2009
Expected life	**6 yrs.**	5 yrs.	6 yrs.
Risk-free interest rate	**2.5%**	2.3%	2.8%
Expected volatility	**16%**	17%	17%
Expected dividend yield	**2.9%**	2.8%	3.0%

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 31, 2011 is presented below:

Our Stock Option Activity

	Options(a)	Average Price(b)	Average Life (years)(c)	Aggregate Intrinsic Value(d)
Outstanding at December 25, 2010	106,203	$ 54.03		
Granted	7,150	$ 64.31		
Exercised	(19,980)	$ 47.74		
Forfeited/expired	(2,298)	$ 65.73		
Outstanding at December 31, 2011	91,075	$ 55.92	5.07	$ 932,748
Exercisable at December 31, 2011	58,708	$ 53.86	4.94	$ 725,781

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

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

(d) In thousands.

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Our RSU Activity

	RSUs[a]	Average Intrinsic Value[b]	Average Life (years)[c]	Aggregate Intrinsic Value[d]
Outstanding at December 25, 2010	10,662	$ 63.27		
Granted	5,333	$ 63.87		
Converted	(2,610)	$ 65.81		
Forfeited/expired	(1,045)	$ 63.71		
Outstanding at December 31, 2011	12,340	$ 62.96	1.57	$ 818,776

(a) RSUs are in thousands and include RSUs previously granted under a PBG plan. No additional RSUs or shares may be granted under the PBG plan.

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

(c) Weighted-average contractual life remaining.

(d) In thousands.

Other Stock-Based Compensation Data

	2011	2010	2009
Stock Options			
Weighted-average fair value of options granted	**$ 7.79**	$ 13.93	$ 7.02
Total intrinsic value of options exercised[a]	**$385,678**	$502,354	$194,545
RSUs			
Total number of RSUs granted[a]	**5,333**	8,326	2,653
Weighted-average intrinsic value of RSUs granted	**$ 63.87**	$ 65.01	$ 53.22
Total intrinsic value of RSUs converted[a]	**$173,433**	$202,717	$124,193

(a) In thousands.

As of December 31, 2011, there was $436 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 two years.

Note 7 — Pension, Retiree Medical and Savings Plans

Our pension plans cover certain 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. Certain 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 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 based upon the average remaining service period of active plan participants, which is approximately 10 years for pension expense and approximately 8 years for retiree medical expense. 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.

In connection with our acquisitions of PBG and PAS, we assumed sponsorship of pension and retiree medical plans that provide benefits to certain U.S. and international employees. Subsequently, during the third quarter of 2010, we merged the pension plan assets of the legacy PBG and PAS U.S. pension plans with those of PepsiCo into one master trust.

During 2010, the Compensation Committee of PepsiCo's Board of Directors approved certain changes to the U.S. pension and retiree medical plans, effective January 1, 2011. Pension plan design changes included implementing a new employer contribution to the 401(k) savings plan for all future salaried new hires of the Company, as salaried new hires are no longer eligible to participate in the defined benefit pension plan, as well as implementing a new defined benefit pension formula for certain hourly new hires of the Company. Pension plan design changes also included implementing a new employer contribution to the 401(k) savings plan for certain legacy PBG and PAS salaried employees (as such employees are also not eligible to participate in the defined benefit pension plan), as well as implementing a new defined benefit pension formula for certain legacy PBG and PAS hourly employees. The retiree medical plan design change included phasing out Company subsidies of retiree medical benefits.

As a result of these changes, we remeasured our pension and retiree medical expenses and liabilities in the third quarter of 2010, which resulted in a one-time pre-tax curtailment gain of $62 million included in retiree medical expenses.

The provisions of both the PPACA and the Health Care and Education Reconciliation Act are reflected in our retiree medical expenses and liabilities and were not material to our financial statements.

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

	Pension				Retiree Medical	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Change in projected benefit liability						
Liability at beginning of year	**$ 9,851**	$6,606	**$2,142**	$1,709	**$ 1,770**	$ 1,359
Acquisitions/(divestitures)	**11**	2,161	**(63)**	90	**—**	396
Service cost	**350**	299	**95**	81	**51**	54
Interest cost	**547**	506	**117**	106	**88**	93
Plan amendments	**21**	28	**(16)**	—	**3**	(132)
Participant contributions	**—**	—	**3**	3	**—**	—
Experience loss/(gain)	**1,484**	583	**224**	213	**(239)**	95
Benefit payments	**(414)**	(375)	**(69)**	(69)	**(110)**	(100)
Settlement/curtailment gain	**(20)**	(2)	**(15)**	(3)	**—**	—
Special termination benefits	**71**	45	**1**	3	**1**	3
Foreign currency adjustment	**—**	—	**(41)**	(18)	**(1)**	2
Other	**—**	—	**3**	27	**—**	—
Liability at end of year	**$11,901**	$9,851	**$2,381**	$2,142	**$ 1,563**	$ 1,770
Change in fair value of plan assets						
Fair value at beginning of year	**$ 8,870**	$5,420	**$1,896**	$1,561	**$ 190**	$ 13
Acquisitions/(divestitures)	**11**	1,633	**(1)**	52	**—**	—
Actual return on plan assets	**542**	943	**79**	164	**—**	7
Employer contributions/funding	**63**	1,249	**176**	215	**110**	270
Participant contributions	**—**	—	**3**	3	**—**	—
Benefit payments	**(414)**	(375)	**(69)**	(69)	**(110)**	(100)
Settlement	**—**	—	**(30)**	(2)	**—**	—
Foreign currency adjustment	**—**	—	**(23)**	(28)	**—**	—
Fair value at end of year	**$ 9,072**	$8,870	**$2,031**	$1,896	**$ 190**	$ 190
Funded status	**$ (2,829)**	$ (981)	**$ (350)**	$ (246)	**$(1,373)**	$(1,580)

	Pension				Retiree Medical	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Amounts recognized						
Other assets	**$ —**	$ 47	**$ 55**	$ 66	**$ —**	$ —
Other current liabilities	**(91)**	(54)	**(1)**	(10)	**(124)**	(145)
Other liabilities	**(2,738)**	(974)	**(404)**	(302)	**(1,249)**	(1,435)
Net amount recognized	**$ (2,829)**	$ (981)	**$ (350)**	$ (246)	**$(1,373)**	$(1,580)
Amounts included in accumulated other comprehensive loss (pre-tax)						
Net loss	**$ 4,217**	$2,726	**$ 977**	$ 767	**$ 32**	$ 270
Prior service cost/(credit)	**122**	117	**(2)**	17	**(118)**	(150)
Total	**$ 4,339**	$2,843	**$ 975**	$ 784	**$ (86)**	$ 120
Components of the increase/(decrease) in net loss						
Change in discount rate	**$ 1,710**	$ 556	**$ 302**	$ 213	**$ 115**	$ 101
Employee-related assumption changes	**(140)**	4	**(51)**	(4)	**(125)**	8
Liability-related experience different from assumptions	**(85)**	43	**(27)**	5	**(210)**	(22)
Actual asset return different from expected return	**162**	(300)	**57**	(41)	**14**	(6)
Amortization of losses	**(147)**	(119)	**(55)**	(24)	**(12)**	(9)
Other, including foreign currency adjustments	**(9)**	(21)	**(16)**	(7)	**(20)**	8
Total	**$ 1,491**	$ 163	**$ 210**	$ 142	**$ (238)**	$ 80
Liability at end of year for service to date	**$11,205**	$9,163	**$1,921**	$1,743		

The components of benefit expense are as follows:

	Pension						Retiree Medical		
	U.S.			International					
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Components of benefit expense									
Service cost	**$ 350**	$ 299	$ 238	**$ 95**	$ 81	$ 54	**$ 51**	$ 54	$ 44
Interest cost	**547**	506	373	**117**	106	82	**88**	93	82
Expected return on plan assets	**(704)**	(643)	(462)	**(136)**	(123)	(105)	**(14)**	(1)	—
Amortization of prior service cost/(credit)	**14**	12	12	**2**	2	2	**(28)**	(22)	(17)
Amortization of net loss	**145**	119	110	**40**	24	9	**12**	9	11
	352	293	271	**118**	90	42	**109**	133	120
Settlement/curtailment (gain)/loss	**(8)**	(2)	(13)	**30**	1	3	**—**	(62)	—
Special termination benefits	**71**	45	—	**1**	3	—	**1**	3	—
Total	**$ 415**	$ 336	$ 258	**$ 149**	$ 94	$ 45	**$110**	$ 74	$120

The estimated amounts to be amortized from accumulated other comprehensive loss into benefit expense in 2012 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss	$259	$ 52	$ —
Prior service cost/(credit)	17	1	(26)
Total	$276	$ 53	$ (26)

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		
	U.S.			International					
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Weighted-average assumptions									
Liability discount rate	**4.6%**	5.7%	6.1%	**4.8%**	5.5%	5.9%	**4.4%**	5.2%	6.1%
Expense discount rate	**5.7%**	6.0%	6.2%	**5.5%**	6.0%	6.3%	**5.2%**	5.8%	6.2%
Expected return on plan assets	**7.8%**	7.8%	7.8%	**6.7%**	7.1%	7.1%	**7.8%**	7.8%	—
Liability rate of salary increases	**3.7%**	4.1%	4.4%	**4.1%**	4.1%	4.1%			
Expense rate of salary increases	**4.1%**	4.4%	4.4%	**4.1%**	4.1%	4.2%			

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	
	U.S.		International			
	2011	2010	**2011**	2010	**2011**	2010
Selected information for plans with liability for service to date in excess of plan assets						
Liability for service to date	**$(11,205)**	$ (525)	**$ (471)**	$ (610)		
Fair value of plan assets	**$ 9,072**	$ —	**$ 344**	$ 474		
Selected information for plans with projected benefit liability in excess of plan assets						
Benefit liability	**$(11,901)**	$(5,806)	**$(2,191)**	$(1,949)	**$(1,563)**	$(1,770)
Fair value of plan assets	**$ 9,072**	$ 4,778	**$ 1,786**	$ 1,638	**$ 190**	$ 190

Of the total projected pension benefit liability at year-end 2011, $787 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:

	2012	2013	2014	2015	2016	2017-21
Pension	$560	$560	$560	$600	$645	$ 4,050
Retiree medical(a)	$135	$135	$140	$145	$145	$ 730

(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 $13 million for each of the years from 2012 through 2016 and approximately $100 million in total for 2017 through 2021.

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

In 2012, we expect to make pension and retiree medical contributions of approximately $1.3 billion, with up to approximately $1 billion expected to be discretionary. Our net cash payments for retiree medical are estimated to be approximately $124 million in 2012.

Plan Assets

Pension

Our pension plan investment strategy includes the use of actively managed securities and is reviewed periodically in conjunction with 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 a well-diversified portfolio of equity and high-quality debt securities to achieve our long-term return expectations. 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%. Our 2011 target investment allocation was 40% for U.S. equity, 20% for international equity and 40% for fixed income. For 2012, our target allocations are as follows: 40% for fixed income, 33% for U.S. equity, 22% for international equity and 5% for real estate. The change to the 2012 target asset allocations was made to increase diversification. 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.

The expected return on pension plan assets is based on our pension plan investment strategy, our expectations for long-term rates of return by asset class taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. To calculate the expected return on pension plan assets, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

Retiree Medical

In 2011 and 2010, we made non-discretionary contributions of $110 million and $100 million, respectively, to fund the payment of retiree medical claims. In 2010, we made a discretionary contribution of $170 million to fund future U.S. retiree medical plan benefits. This contribution was invested consistent with the allocation of existing assets in the U.S. pension plan.

Fair Value

The guidance on fair value measurements defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

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Plan assets measured at fair value as of fiscal year-end 2011 and 2010 are categorized consistently by level in both years, and are as follows:

	2011				2010
	Total	Level 1	Level 2	Level 3	Total
U.S. plan assets*					
Equity securities:					
U.S. common stock(a)	**$ 514**	$ 514	$ —	$ —	$ 304
U.S. commingled funds(b)	**3,003**	—	3,003	—	3,426
International common stock(a)	**1,089**	1,089	—	—	834
International commingled fund(c)	**776**	—	776	—	992
Preferred stock(d)	**19**	—	19	—	4
Fixed income securities:					
Government securities(d)	**1,032**	—	1,032	—	950
Corporate bonds(d) (e)	**2,653**	—	2,653	—	2,374
Mortgage-backed securities(d)	**24**	—	24	—	20
Other:					
Contracts with insurance companies(f)	**24**	—	—	24	28
Cash and cash equivalents	**78**	78	—	—	81
Sub-total U.S. plan assets	**9,212**	$ 1,681	$ 7,507	$ 24	9,013
Dividends and interest receivable	**50**				47
Total U.S. plan assets	**$9,262**				$9,060
International plan assets					
Equity securities:					
U.S. commingled funds(b)	**$ 246**	$ —	$ 246	$ —	$ 193
International commingled funds(c)	**729**	—	729	—	779
Fixed income securities:					
Government securities(d)	**171**	—	171	—	184
Corporate bonds(d)	**196**	—	196	—	152
Fixed income commingled funds(g)	**530**	—	530	—	393
Other:					
Contracts with insurance companies(f)	**30**	—	—	30	28
Currency commingled funds(h)	**52**	—	52	—	42
Other commingled fund(i)	**56**	—	56	—	—
Cash and cash equivalents	**16**	16	—	—	120
Sub-total international plan assets	**2,026**	$ 16	$ 1,980	$ 30	1,891
Dividends and interest receivable	**5**				5
Total international plan assets	**$2,031**				$1,896

(a) Based on quoted market prices in active markets.

(b) Based on the fair value of the investments owned by these funds that track various U.S. large, mid-cap and small company indices. Includes one large-cap fund that represents 30% and 32%, respectively, of total U.S. plan assets for 2011 and 2010.

(c) Based on the fair value of the investments owned by these funds that track various non-U.S. equity indices.

(d) Based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes that are not observable.

(e) Corporate bonds of U.S.-based companies represent 24% and 22%, respectively, of total U.S. plan assets for 2011 and 2010.

(f) Based on the fair value of the contracts as determined by the insurance companies using inputs that are not observable.

(g) Based on the fair value of the investments owned by these funds that track various government and corporate bond indices.

(h) Based on the fair value of the investments owned by these funds. Includes managed hedge funds that invest primarily in derivatives to reduce currency exposure.

(i) Based on the fair value of the investments owned by this fund that tracks various indices.

* 2011 and 2010 amounts include $190 million of retiree medical plan assets that are restricted for purposes of providing health benefits for U.S. retirees and their beneficiaries.

Retiree Medical Cost Trend Rates

An average increase of 7% in the cost of covered retiree medical benefits is assumed for 2012. This average increase is then projected to decline gradually to 5% in 2020 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. In addition, as of January 1, 2011, the Company started phasing out Company subsidies of retiree medical benefits. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2011 service and interest cost components	$ 4	$ (4)
2011 benefit liability	$ 39	$ (29)

Savings Plan

Certain 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, and we make Company matching contributions on a portion of eligible pay based on years of service.

In 2010, in connection with our acquisitions of PBG and PAS, we also made Company retirement contributions for certain employees on a portion of eligible pay based on years of service.

As of January 1, 2011, a new employer contribution to the 401(k) savings plan became effective for certain eligible legacy PBG and PAS salaried employees as well as all eligible salaried new hires of PepsiCo who are not eligible to participate in the defined benefit pension plan as a result of plan design changes approved during 2010. In 2011 and 2010, our total Company contributions were $144 million and $135 million, respectively.

As of February 2012, certain U.S. employees earning a benefit under one of our defined benefit pension plans will no longer be eligible for the Company matching contributions on their 401(k) contributions.

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 — Related Party Transactions

On February 26, 2010, we completed our acquisitions of PBG and PAS, at which time we gained control over their operations and began to consolidate their results. See Notes 1 and 15. Prior to these acquisitions, PBG and PAS represented our most significant noncontrolled bottling affiliates. Sales to PBG in 2010 (prior to the acquisition date) represented less than 1% of our total net revenue in 2010 and 6% of our total net revenue in 2009.

PBG's and PAS's summarized income statements for 2009 are as follows:

	PBG	PAS
Net revenue	$13,219	$4,421
Gross profit	$ 5,840	$1,767
Operating income	$ 1,048	$ 381
Net income attributable to parent	$ 612	$ 181

Prior to the completion of our acquisitions of PBG and PAS on February 26, 2010, our significant related party transactions were primarily with PBG and PAS, as well as with other noncontrolled bottling affiliates. Related party transactions in 2011 are not material as we now consolidate PBG and PAS. All such transactions were settled on terms consistent with other trade receivables and payables. The transactions primarily consisted of (1) selling concentrate to these affiliates, which they use in the production of CSDs and non-carbonated beverages, (2) selling certain finished goods to these affiliates, (3) receiving royalties for the use of our trademarks for certain products and (4) paying these affiliates to act as our manufacturing and distribution agent for product associated with our national account fountain customers. 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:

	2010[(a)]	2009
Net revenue	$ 993	$3,922
Cost of sales	$ 116	$ 634
Selling, general and administrative expenses	$ 6	$ 24
Accounts and notes receivable	$ 27	
Accounts payable and other liabilities	$ 42	

(a) Includes transactions with PBG and PAS in 2010 prior to the date of acquisition. 2010 balance sheet information for PBG and PAS is not applicable as we consolidated their balance sheets at the date of acquisition.

We also coordinate, on an aggregate basis, the contract negotiations of sweeteners and other raw material requirements, including aluminum cans and plastic bottles and closures for certain of our independent 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.

In addition, our joint ventures with Unilever (under the Lipton brand name) and Starbucks sell finished goods (ready-to-drink teas, coffees and water products) to our noncontrolled bottling affiliates. Consistent with accounting for equity method investments, our joint venture revenue is not included in our consolidated net revenue and therefore is not included in the above table.

In 2010, we repurchased $357 million (5.5 million shares) of PepsiCo stock from the Master Trust which holds assets of PepsiCo's U.S. qualified pension plans at market value.

Note 9 — Debt Obligations and Commitments

	2011	2010
Short-term debt obligations		
Current maturities of long-term debt	**$ 2,549**	$ 1,626
Commercial paper (0.1% and 0.2%)	**2,973**	2,632
Other borrowings (7.6% and 5.3%)	**683**	640
	$ 6,205	$ 4,898
Long-term debt obligations		
Notes due 2011 (4.4%)	**$ —**	$ 1,513
Notes due 2012 (3.0% and 3.1%)	**2,353**	2,437
Notes due 2013 (2.3% and 3.0%)	**2,841**	2,110
Notes due 2014 (4.6% and 5.3%)	**3,335**	2,888
Notes due 2015 (2.3% and 2.6%)	**1,632**	1,617
Notes due 2016 (3.9% and 5.5%)	**1,876**	875
Notes due 2017-2040 (4.8% and 4.9%)	**10,806**	9,953
Other, due 2012-2020 (9.9% and 9.8%)	**274**	232
	23,117	21,625
Less: current maturities of long-term debt obligations	**(2,549)**	(1,626)
Total	**$20,568**	$19,999

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

In the second quarter of 2011, we issued:

- $750 million of floating rate notes maturing in 2013, which bear interest at a rate equal to the three-month London Inter-Bank Offered Rate (LIBOR) plus 8 basis points; and
- $1.0 billion of 2.500% senior notes maturing in 2016.

In the third quarter of 2011, we issued:

- $500 million of 0.800% senior notes maturing in 2014; and
- $750 million of 3.000% senior notes maturing in 2021.

The net proceeds from the issuances of all the above notes were used for general corporate purposes.

In the third quarter of 2011, we entered into a new four-year unsecured revolving credit agreement (Four-Year Credit Agreement) which expires in June 2015. Effective August 8, 2011, commitments under this agreement were increased to enable us to borrow up to $2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to $3.5 billion. Additionally, we may, once a year, request renewal of the agreement for an additional one-year period.

Also, in the third quarter of 2011, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires in June 2012. Effective August 8, 2011, commitments under this agreement were increased to enable us to borrow up to $2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to $3.5 billion. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than June 2013.

The Four-Year Credit Agreement and the 364-Day Credit Agreement, together replaced our $2 billion unsecured revolving credit agreement, our $2.575 billion 364-day unsecured revolving credit agreement and our $1.080 billion amended PBG credit facility. Funds borrowed under the Four-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes, including but not limited to repayment of outstanding commercial paper issued by us and our subsidiaries, working capital, capital investments and/or acquisitions.

In the third quarter of 2011, we paid $784 million in a cash tender offer to repurchase $766 million (aggregate principal amount) of certain WBD debt obligations. As a result of this debt repurchase, we recorded a $16 million charge to interest expense (included in merger and integration charges) in the third quarter, primarily representing the premium paid in the tender offer.

In addition, as of December 31, 2011, $848 million of our debt related to borrowings from various lines of credit that are primarily maintained for our international divisions. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

Long-Term Contractual Commitments[(a)]

	Payments Due by Period				
	Total	2012	2013 – 2014	2015 – 2016	2017 and beyond
Long-term debt obligations[(b)]	$19,738	$ —	$6,084	$3,451	$10,203
Interest on debt obligations[(c)]	7,445	852	1,394	1,091	4,108
Operating leases	1,825	423	598	337	467
Purchasing commitments	2,434	1,113	957	302	62
Marketing commitments	2,519	240	589	535	1,155
	$33,961	$2,628	$9,622	$5,716	$15,995

(a) Reflects non-cancelable commitments as of December 31, 2011 based on year-end foreign exchange rates and excludes any reserves for uncertain tax positions as we are unable to reasonably predict the ultimate amount or timing of settlement.

(b) Excludes $2,549 million related to current maturities of long-term debt, $470 million related to the fair value step-up of debt acquired in connection with our acquisitions of PBG and PAS and $360 million related to the increase in carrying value of long-term debt representing the gains on our fair value interest rate swaps.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 31, 2011.

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 sugar and other sweeteners, packaging materials, oranges and orange juice. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding to independent bottlers is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in our long-term contractual commitments because they do not represent expected future cash outflows. See Note 7 for additional information regarding our pension and retiree medical obligations.

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. 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 common 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 then 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 immediately.

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 assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk.

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 and derivatives. In addition, risk to our supplies of certain raw materials is mitigated through purchases from multiple geographies and suppliers. 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 metals, energy and agricultural products. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately in corporate unallocated expenses. 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 $59 million related to these hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting are marked to market each period and reflected in our income statement.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of $598 million as of December 31, 2011 and $590 million as of December 25, 2010. Ineffectiveness for our commodity hedges is not material.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of $630 million as of December 31, 2011 and $266 million as of December 25, 2010.

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 common shareholders' equity as currency translation adjustment.

Our operations outside of the U.S. generate approximately 50% of our net revenue, with Russia, Mexico, Canada and the United Kingdom comprising approximately 23% of our net revenue. As a result, we are exposed to foreign currency risks. We also enter into derivatives, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred.

Our foreign currency derivatives had a total face value of $2.3 billion as of December 31, 2011 and $1.7 billion as of December 25, 2010. During the next 12 months, we expect to reclassify net gains of $20 million related to foreign currency contracts that qualify for hedge accounting from accumulated other comprehensive loss into net income. Additionally, ineffectiveness for our foreign currency hedges is not material. For foreign currency derivatives that do not qualify for hedge accounting treatment, 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 use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross-currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

The notional amounts of the interest rate derivative instruments outstanding as of December 31, 2011 and December 25, 2010 were $8.33 billion and $9.23 billion, respectively. For those interest rate derivative instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. Ineffectiveness for our interest rate hedges is not material. We classify both the earnings and cash flow impact from these interest rate derivative instruments consistent with the underlying hedged item. During the next 12 months, we expect to reclassify net losses of $16 million related to these hedges from accumulated other comprehensive loss into net income.

As of December 31, 2011, approximately 38% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to 43% as of December 25, 2010.

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Fair Value Measurements

The fair values of our financial assets and liabilities as of December 31, 2011 and December 25, 2010 are categorized as follows:

	2011		2010	
	Assets(a)	**Liabilities(a)**	Assets(a)	Liabilities(a)
Available-for-sale securities(b)	**$ 59**	**$ —**	$ 636	$ —
Short-term investments – index funds(c)	**$ 157**	**$ —**	$ 167	$ —
Prepaid forward contracts(d)	**$ 40**	**$ —**	$ 48	$ —
Deferred compensation(e)	**$ —**	**$ 519**	$ —	$ 559
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives(f)	**$ 300**	**$ —**	$ 276	$ 7
Derivatives designated as cash flow hedging instruments:				
Forward exchange contracts(g)	**$ 25**	**$ 5**	$ 8	$ 23
Interest rate derivatives(f)	**—**	**69**	8	5
Commodity contracts – other(h)	**3**	**77**	70	2
Commodity contracts – futures(i)	**—**	**1**	1	23
	$ 28	**$ 152**	$ 87	$ 53
Derivatives not designated as hedging instruments:				
Forward exchange contracts(g)	**$ 17**	**$ 20**	$ 1	$ 7
Interest rate derivatives(f)	**107**	**141**	6	45
Commodity contracts – other(h)	**10**	**51**	28	1
Commodity contracts – futures(i)	**—**	**11**	—	1
	$ 134	**$ 223**	$ 35	$ 54
Total derivatives at fair value	**$ 462**	**$ 375**	$ 398	$ 114
Total	**$ 718**	**$ 894**	$ 1,249	$ 673

(a) Financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets, with the exception of available-for-sale securities and short-term investments, which are classified as short-term investments. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.

(b) Based on the price of common stock. Categorized as a Level 1 asset.

(c) Based on price changes in index funds used to manage a portion of market risk arising from our deferred compensation liability. Categorized as a Level 1 asset.

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

(e) Based on the fair value of investments corresponding to employees' investment elections. As of December 31, 2011 and December 25, 2010, $44 million and $170 million, respectively, are categorized as Level 1 liabilities. The remaining balances are categorized as Level 2 liabilities.

(f) Based on LIBOR and recently reported transactions in the marketplace.

(g) Based on observable market transactions of spot and forward rates.

(h) Based on recently reported transactions in the marketplace, primarily swap arrangements.

(i) Based on average prices on futures exchanges. Categorized as a Level 1 asset or liability.

The effective portion of the pre-tax (gains)/losses on our derivative instruments are categorized in the table below.

	Fair Value/Non-designated Hedges		Cash Flow Hedges			
	Losses/(Gains) Recognized in Income Statement[(a)]		(Gains)/Losses Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[(b)]	
	2011	2010	**2011**	2010	**2011**	2010
Forward exchange contracts	**$ 14**	$ 6	**$ (9)**	$ 26	**$ 26**	$ 40
Interest rate derivatives	**(113)**	(104)	**84**	75	**15**	7
Commodity contracts	**25**	(30)	**51**	(32)	**(36)**	28
Total	**$ (74)**	$ (128)	**$ 126**	$ 69	**$ 5**	$ 75

(a) Interest rate derivative gains are primarily from fair value hedges and are included in interest expense. These gains are substantially offset by increases in the value of the underlying debt, which is also included in interest expense. All other gains/losses are from non-designated hedges and are included in corporate unallocated expenses.

(b) Interest rate derivative losses are included in interest expense. All other gains/losses are primarily included in cost of sales.

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 used to manage a portion of market risk arising from our deferred compensation liability. The fair value of our debt obligations as of December 31, 2011 and December 25, 2010 was $29.8 billion and $25.9 billion, respectively, based upon prices of similar instruments in the marketplace.

Note 11 — Net Income Attributable to PepsiCo per Common Share

Basic net income attributable to PepsiCo per common share is net income available for PepsiCo common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income attributable to PepsiCo 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 25.9 million shares in 2011, 24.4 million shares in 2010 and 39.0 million shares in 2009 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 $66.99 in 2011, $67.26 in 2010 and $61.52 in 2009.

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

	2011		2010		2009	
	Income	**Shares[(a)]**	Income	Shares[(a)]	Income	Shares[(a)]
Net income attributable to PepsiCo	**$ 6,443**		$ 6,320		$ 5,946	
Preferred shares:						
Dividends	**(1)**		(1)		(1)	
Redemption premium	**(6)**		(5)		(5)	
Net income available for PepsiCo common shareholders	**$ 6,436**	**1,576**	$ 6,314	1,590	$ 5,940	1,558
Basic net income attributable to PepsiCo per common share	**$ 4.08**		$ 3.97		$ 3.81	
Net income available for PepsiCo common shareholders	**$ 6,436**	**1,576**	$ 6,314	1,590	$ 5,940	1,558
Dilutive securities:						
Stock options and RSUs	**—**	**20**	—	23	—	17
ESOP convertible preferred stock	**7**	**1**	6	1	6	2
Diluted	**$ 6,443**	**1,597**	$ 6,320	1,614	$ 5,946	1,577
Diluted net income attributable to PepsiCo per common share	**$ 4.03**		$ 3.91		$ 3.77	

(a) Weighted-average common shares outstanding (in millions).

Note 12 — Preferred Stock

As of December 31, 2011 and December 25, 2010, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued 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 2011 and 2010, there were 803,953 preferred shares issued and 206,653 and 227,653 shares outstanding, respectively. The outstanding preferred shares had a fair value of $68 million as of December 31, 2011 and $74 million as of December 25, 2010. 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.

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	2011		2010		2009	
	Shares[(a)]	**Amount**	Shares[(a)]	Amount	Shares[(a)]	Amount
Preferred stock	**0.8**	**$ 41**	0.8	$ 41	0.8	$ 41
Repurchased preferred stock						
Balance, beginning of year	**0.6**	**$ 150**	0.6	$ 145	0.5	$ 138
Redemptions	**—**	**7**	—	5	0.1	7
Balance, end of year	**0.6**	**$ 157**	0.6	$ 150	0.6	$ 145

(a) In millions.

Note 13 — Accumulated Other Comprehensive Loss Attributable to PepsiCo

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 income or loss is separately presented on our balance sheet as part of common shareholders' equity. Other comprehensive (loss)/income attributable to PepsiCo was $(2,599) million in 2011, $164 million in 2010 and $900 million in 2009. The accumulated balances for each component of other comprehensive loss attributable to PepsiCo were as follows:

	2011	2010	2009
Currency translation adjustment	**$(2,688)**	$(1,159)	$(1,471)
Cash flow hedges, net of tax[(a)]	**(169)**	(100)	(42)
Unamortized pension and retiree medical, net of tax[(b)]	**(3,419)**	(2,442)	(2,328)
Unrealized gain on securities, net of tax	**62**	70	47
Other	**(15)**	1	—
Accumulated other comprehensive loss attributable to PepsiCo	**$(6,229)**	$(3,630)	$(3,794)

(a) Includes $23 million after-tax gain in 2009 for our share of our equity investees' accumulated derivative activity.

(b) Net of taxes of $1,831 million in 2011, $1,322 million in 2010 and $1,211 million in 2009.

Note 14 — Supplemental Financial Information

	2011	2010	2009
Accounts receivable			
Trade receivables	**$ 6,036**	$ 5,514	
Other receivables	**1,033**	953	
	7,069	6,467	
Allowance, beginning of year	**144**	90	$ 70
Net amounts charged to expense	**30**	12	40
Deductions (a)	**(41)**	(37)	(21)
Other (b)	**24**	79	1
Allowance, end of year	**157**	144	$ 90
Net receivables	**$ 6,912**	$ 6,323	
Inventories (c)			
Raw materials	**$ 1,883**	$ 1,654	
Work-in-process	**207**	128	
Finished goods	**1,737**	1,590	
	$ 3,827	$ 3,372	

(a) Includes accounts written off.

(b) Includes adjustments related to acquisitions, 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 3% in 2011 and 8% in 2010 of the inventory cost was computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

	2011	2010
Other assets		
Noncurrent notes and accounts receivable	**$ 159**	$ 165
Deferred marketplace spending	**186**	203
Pension plans	**65**	121
Other investments	**89**	653
Other	**522**	547
	$ 1,021	$ 1,689
Accounts payable and other current liabilities		
Accounts payable	**$ 4,083**	$ 3,865
Accrued marketplace spending	**1,915**	1,841
Accrued compensation and benefits	**1,771**	1,779
Dividends payable	**813**	766
Other current liabilities	**3,175**	2,672
	$11,757	$10,923

	2011	2010	2009
Other supplemental information			
Rent expense	**$ 589**	$ 526	$ 412
Interest paid	**$1,039**	$1,043	$ 456
Income taxes paid, net of refunds	**$2,218**	$1,495	$1,498

Note 15 — Acquisitions

PBG and PAS

On February 26, 2010, we acquired PBG and PAS to create a more fully integrated supply chain and go-to-market business model, improving the effectiveness and efficiency of the distribution of our brands and enhancing our revenue growth. The total purchase price was approximately $12.6 billion, which included $8.3 billion of cash and equity and the fair value of our previously held equity interests in PBG and PAS of $4.3 billion. The acquisitions were accounted for as business combinations, and, accordingly, the identifiable assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. Our fair market valuations of the identifiable assets acquired and liabilities assumed have been completed and the final valuations did not materially differ from those fair values reported as of December 25, 2010.

The following table presents unaudited consolidated pro forma financial information as if the closing of our acquisitions of PBG and PAS had occurred on December 27, 2009 for purposes of the financial information presented for the year ended December 25, 2010; and as if the closing of our acquisitions of PBG and PAS had occurred on December 28, 2008 for purposes of the financial information presented for the year ended December 26, 2009.

	2010	2009
Net Revenue	$59,582	$57,471
Net Income Attributable to PepsiCo	$ 5,856	$ 6,752
Net Income Attributable to PepsiCo per Common Share – Diluted	$ 3.60	$ 4.09

The unaudited consolidated pro forma financial information was prepared in accordance with the acquisition method of accounting under existing standards, and the regulations of the U.S.

Securities and Exchange Commission, and is not necessarily indicative of the results of operations that would have occurred if our acquisitions of PBG and PAS had been completed on the date indicated, nor is it indicative of the future operating results of PepsiCo.

The historical unaudited consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the acquisitions, (2) factually supportable, and (3) expected to have a continuing impact on the combined results of PepsiCo, PBG and PAS.

The unaudited pro forma results have been adjusted with respect to certain aspects of our acquisitions of PBG and PAS to reflect:

- the consummation of the acquisitions;
- consolidation of PBG and PAS which are now owned 100% by PepsiCo and the corresponding gain resulting from the remeasurement of our previously held equity interests in PBG and PAS;
- the elimination of related party transactions between PepsiCo and PBG, and PepsiCo and PAS;
- changes in assets and liabilities to record their acquisition date fair values and changes in certain expenses resulting therefrom; and
- additional indebtedness, including, but not limited to, debt issuance costs and interest expense, incurred in connection with the acquisitions.

The unaudited pro forma results do not reflect future events that either have occurred or may occur after the acquisitions, including, but not limited to, the anticipated realization of ongoing savings from operating synergies in subsequent periods. They also do not give effect to certain one-time charges we expect to incur in connection with the acquisitions, including, but not limited to, charges that are expected to achieve ongoing cost savings and synergies.

WBD

On February 3, 2011, we acquired the ordinary shares, including shares underlying ADSs and Global Depositary Shares (GDS), of WBD, a company incorporated in the Russian Federation, which represented in the aggregate approximately 66% of WBD’s outstanding ordinary shares, pursuant to the purchase agreement dated December 1, 2010 between PepsiCo and certain selling shareholders of WBD for approximately $3.8 billion in cash. The acquisition of those shares increased our total ownership to approximately 77%, giving us a controlling interest in WBD. Under the guidance on accounting for business combinations, once a controlling interest is obtained, we are required to recognize and measure 100% of the identifiable assets acquired, liabilities assumed and noncontrolling interests at their full fair values.

The following table summarizes the fair value of identifiable assets acquired and liabilities assumed in the acquisition of WBD and the resulting goodwill as of the acquisition date:

Fair value of total consideration transferred	
Payment in cash, for the approximately 66% of outstanding ordinary shares of WBD on February 3, 2011, including shares underlying ADSs and GDSs (or $2,428, net of cash and cash equivalents acquired)	$ 3,827
Fair value of our previously held equity interest in WBD prior to the acquisition	644
Total	$ 4,471
Acquisition date fair value of identifiable assets acquired and liabilities assumed	
Inventories	$ 314
Property, plant and equipment	813
Amortizable intangible assets, primarily customer relationships	46
Nonamortizable intangible assets, primarily brands and tradename	3,114
Other current assets and liabilities[(a)]	1,244
Debt obligations	(1,114)
Other noncurrent assets and liabilities	(31)
Deferred income taxes	(665)
Total identifiable net assets	3,721
Fair value of noncontrolling interest in WBD	(1,349)
Goodwill	2,099
Total	$ 4,471

(a) Includes cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and other current liabilities.

Goodwill is calculated as the excess of the aggregate of the fair value of the consideration transferred, any noncontrolling interest and any previously held equity interest in the acquiree over the fair value of the net assets recognized. The goodwill recorded as part of the acquisition of WBD primarily reflects the value of adding economies of scale from our existing manufacturing and procurement operations in Russia and synergies expected to arise from our combined brand portfolios in the nutrition and other categories, as well as any intangible assets that do not qualify for separate recognition. Goodwill is not amortizable or deductible for tax purposes. All of the goodwill is recorded in our Europe segment.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. See Note 3 for details on the expenses incurred during 2011 and 2010.

On March 10, 2011, we commenced our tender offers in Russia and the U.S. for all remaining outstanding ordinary shares and ADSs of WBD for 3,883.70 Russian rubles per ordinary share and 970.925 Russian rubles per ADS, respectively. The Russian offer was made to all holders of ordinary shares and the U.S. offer was made to all holders of ADSs. We completed the Russian offer on May 19, 2011 and the U.S. offer on May 16, 2011. After completion of the offers, we paid approximately $1.3 billion for WBD’s ordinary shares (including shares underlying ADSs) and increased our total ownership of WBD to approximately 98.6%.

On June 30, 2011, we elected to exercise our squeeze-out rights under Russian law with respect to all remaining WBD ordinary shares not already owned by us. Therefore, under Russian law, all remaining WBD shareholders were required to sell their ordinary shares (including those underlying ADSs) to us at the same price that was offered to WBD shareholders in the Russian tender offer. Accordingly, all registered holders of ordinary shares on August 15, 2011 (including the ADS depositary) received 3,883.70 Russian rubles per ordinary share. After completion of the squeeze-out in September 2011 (during our fourth quarter), we paid approximately $79 million for WBD’s ordinary shares (including shares underlying ADSs) and increased our total ownership to 100% of WBD.

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 Department, led by our Chief Compliance Officer, to coordinate our compliance policies and practices.

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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.

February 27, 2012

/S/ MARIE T. GALLAGHER
Marie T. Gallagher
Senior Vice President and Controller

/S/ HUGH F. JOHNSTON
Hugh F. Johnston
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 31, 2011 and December 25, 2010, and the related Consolidated Statements of Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 31, 2011. We also have audited PepsiCo, Inc.'s internal control over financial reporting as of December 31, 2011, 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.

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 31, 2011 and December 25, 2010, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 31, 2011, 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 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by COSO.

The scope of management's assessment of the effectiveness of internal control over financial reporting excluded the internal control over financial reporting of Wimm-Bill-Dann Foods OJSC and its subsidiaries ("WBD"), which the Company acquired in February 2011. WBD represented 9% of the Company's consolidated total assets and 4% of the Company's consolidated net revenues as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of PepsiCo, Inc. also excluded an evaluation of the internal control over financial reporting of WBD.

/s/ KPMG LLP
New York, New York
February 27, 2012

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

	2011				2010			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	**$ 11,937**	**$ 16,827**	**$ 17,582**	**$ 20,158**	$ 9,368	$14,801	$15,514	$18,155
Gross profit	**$ 6,490**	**$ 8,864**	**$ 9,130**	**$ 10,427**	$ 4,905	$ 8,056	$ 8,506	$ 9,796
53rd week [a]	**—**	**—**	**—**	**$ (94)**	—	—	—	—
Mark-to-market net impact [b]	**$ (31)**	**$ 9**	**$ 53**	**$ 71**	$ (46)	$ 4	$ (16)	$ (33)
Merger and integration charges [c]	**$ 55**	**$ 58**	**$ 61**	**$ 155**	$ 321	$ 155	$ 69	$ 263
Restructuring and impairment charges [d]	**—**	**—**	**—**	**$ 383**	—	—	—	—
Gain on previously held equity interests [e]	**—**	**—**	**—**	**—**	$ (958)	—	—	—
Inventory fair value adjustments [f]	**$ 34**	**$ 4**	**$ 3**	**$ 5**	$ 281	$ 76	$ 17	$ 24
Venezuela currency devaluation [g]	**—**	**—**	**—**	**—**	$ 120	—	—	—
Asset write-off [h]	**—**	**—**	**—**	**—**	$ 145	—	—	—
Foundation contribution [i]	**—**	**—**	**—**	**—**	$ 100	—	—	—
Debt repurchase [j]	**—**	**—**	**—**	**—**	—	—	—	$ 178
Net income attributable to PepsiCo	**$ 1,143**	**$ 1,885**	**$ 2,000**	**$ 1,415**	$ 1,430	$ 1,603	$ 1,922	$ 1,365
Net income attributable to PepsiCo per common share – basic	**$ 0.72**	**$ 1.19**	**$ 1.27**	**$ 0.90**	$ 0.90	$ 1.00	$ 1.21	$ 0.86
Net income attributable to PepsiCo per common share – diluted	**$ 0.71**	**$ 1.17**	**$ 1.25**	**$ 0.89**	$ 0.89	$ 0.98	$ 1.19	$ 0.85
Cash dividends declared per common share	**$ 0.48**	**$ 0.515**	**$ 0.515**	**$ 0.515**	$ 0.45	$ 0.48	$ 0.48	$ 0.48
Stock price per share [k]								
High	**$ 67.46**	**$ 71.89**	**$ 70.75**	**$ 66.78**	$ 66.98	$ 67.61	$ 66.83	$ 68.11
Low	**$ 62.05**	**$ 63.50**	**$ 60.10**	**$ 58.50**	$ 58.75	$ 61.04	$ 60.32	$ 63.43
Close	**$ 63.24**	**$ 68.69**	**$ 63.30**	**$ 66.35**	$ 66.56	$ 63.56	$ 65.57	$ 65.69

(a) The 2011 fiscal year consisted of fifty-three weeks compared to fifty-two weeks in our normal fiscal year. The 53rd week increased 2011 net revenue by $623 million, gross profit by $358 million, pre-tax income by $94 million and net income attributable to PepsiCo by $64 million or $0.04 per share.

(b) In 2011, we recognized $102 million ($71 million after-tax or $0.04 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In 2010, we recognized $91 million ($58 million after-tax or $0.04 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

(c) In 2011, we incurred merger and integration charges of $329 million related to our acquisitions of PBG, PAS and WBD. In total, these charges had an after-tax impact of $271 million or $0.17 per share. In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these charges had an after-tax impact of $648 million or $0.40 per share. See Note 3.

(d) Restructuring and impairment charges in 2011 were $383 million ($286 million after-tax or $0.18 per share). See Note 3.

(e) In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests. See Note 15.

(f) In 2011, we recorded $46 million ($28 million after-tax or $0.02 per share) of incremental costs related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date. In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

(g) In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.

(h) In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.

(i) In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.

(j) In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.

(k) 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)

	2011	2010	2009
Net revenue	**$66,504**	$57,838	$43,232
Net income attributable to PepsiCo	**$ 6,443**	$ 6,320	$ 5,946
Net income attributable to PepsiCo per common share – basic	**$ 4.08**	$ 3.97	$ 3.81
Net income attributable to PepsiCo per common share – diluted	**$ 4.03**	$ 3.91	$ 3.77
Cash dividends declared per common share	**$ 2.025**	$ 1.89	$ 1.775
Total assets	**$72,882**	$68,153	$39,848
Long-term debt	**$20,568**	$19,999	$ 7,400
Return on invested capital[(a)]	**14.3%**	17.0%	27.5%

	2008	2007
Net revenue	$43,251	$39,474
Net income attributable to PepsiCo	$ 5,142	$ 5,658
Net income attributable to PepsiCo per common share – basic	$ 3.26	$ 3.48
Net income attributable to PepsiCo per common share – diluted	$ 3.21	$ 3.41
Cash dividends declared per common share	$ 1.65	$ 1.425
Total assets	$35,994	$34,628
Long-term debt	$ 7,858	$ 4,203
Return on invested capital[(a)]	24.0%	29.9%

(a) Return on invested capital is defined as adjusted net income attributable to PepsiCo divided by the sum of average common shareholders' equity and average total debt. Adjusted net income attributable to PepsiCo is defined as net income attributable to PepsiCo plus interest expense after-tax. Interest expense after-tax was $548 million in 2011, $578 million in 2010, $254 million in 2009, $210 million in 2008 and $143 million in 2007.

- Includes restructuring and impairment charges of:

	2011	2009	2008	2007
Pre-tax	**$ 383**	$ 36	$ 543	$ 102
After-tax	**$ 286**	$ 29	$ 408	$ 70
Per share	**$0.18**	$ 0.02	$ 0.25	$0.04

- Includes mark-to-market net losses/(gains) of:

	2011	2010	2009	2008	2007
Pre-tax	**$ 102**	$ (91)	$ (274)	$ 346	$ (19)
After-tax	**$ 71**	$ (58)	$ (173)	$ 223	$ (12)
Per share	**$0.04**	$(0.04)	$(0.11)	$0.14	$(0.01)

- The 2011 fiscal year consisted of fifty-three weeks compared to fifty-two weeks in our normal fiscal year. The 53rd week increased 2011 net revenue by $623 million and net income attributable to PepsiCo by $64 million or $0.04 per share.
- In 2011, we incurred merger and integration charges of $329 million related to our acquisitions of PBG, PAS and WBD. In total, these costs had an after-tax impact of $271 million or $0.17 per share.
- In 2011, we recorded $46 million ($28 million after-tax or $0.02 per share) of incremental costs related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.
- In 2010, we incurred merger and integration charges of $799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded $9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $648 million or $0.40 per share.

- In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of $958 million ($0.60 per share), comprising $735 million which was non-taxable and recorded in bottling equity income and $223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.
- In 2010, we recorded $398 million ($333 million after-tax or $0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.
- In 2010, we recorded a one-time $120 million net charge ($120 million after-tax or $0.07 per share) related to our change to hyperinflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.
- In 2010, we recorded a $145 million charge ($92 million after-tax or $0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.
- In 2010, we made a $100 million ($64 million after-tax or $0.04 per share) contribution to The PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.
- In 2010, we paid $672 million in a cash tender offer to repurchase $500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a $178 million charge to interest expense ($114 million after-tax or $0.07 per share), primarily representing the premium paid in the tender offer.
- In 2009, we recognized $50 million of merger-related charges related to our acquisitions of PBG and PAS, as well as an additional $11 million of costs in bottling equity income representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of $44 million or $0.03 per share.
- 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.

GLOSSARY

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

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

Bottler funding: financial incentives we give to our independent 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 independent bottlers, retailers and independent distributors. This measure is reported on our fiscal year basis.

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

Consumers: people who eat and drink our products.

CSD: carbonated soft drinks.

Customers: authorized independent bottlers, distributors and retailers.

Derivatives: financial instruments, such as futures, swaps, Treasury locks, options and forward contracts 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 independent 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.

Hedge accounting: treatment for qualifying hedges that allows fluctuations in a hedging instrument’s fair value to offset corresponding fluctuations in the hedged item in the same reporting period. Hedge accounting is allowed only in cases where the hedging relationship between the hedging instruments and hedged items is highly effective, and only prospectively from the date a hedging relationship is formally documented.

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

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 marketplace.

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 was effective as of December 31, 2011.

The scope of management's assessment of the effectiveness of our internal control over financial reporting included all of our consolidated operations except for the operations of Wimm-Bill-Dann Foods OJSC and its subsidiaries (WBD), which we acquired in February 2011. WBD's operations represented 9% of our consolidated total assets and 4% of our consolidated net revenues as of and for the year ended December 31, 2011.

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 2011, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain suitable controls over our financial reporting. Moreover, we are in the process of integrating WBD into our overall internal control over financial reporting processes.

Except as described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2011 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.

Information about our directors and persons nominated to become directors is contained under the caption “Election of Directors” in our Proxy Statement for our 2012 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2011 (the “2012 Proxy Statement”) and is incorporated herein by reference. 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 2012 Proxy Statement 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 our 2010 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. Any amendment to our Worldwide Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and New York Stock Exchange.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2012 Proxy Statement under the caption “Corporate Governance at PepsiCo – The Nominating and Corporate Governance Committee.”

Information concerning the composition of the Audit Committee and our Audit Committee financial experts is contained in our 2012 Proxy Statement under the captions “Corporate Governance at PepsiCo – Committees of the Board of Directors” and “Corporate Governance at PepsiCo – The Audit Committee” and is incorporated herein by reference.

Item 11. Executive Compensation.

Information about director and executive officer compensation, Compensation Committee interlocks and the Compensation Committee Report is contained in our 2012 Proxy Statement under the captions “2011 Director Compensation,” “Executive Compensation,” and “Corporate Governance at PepsiCo – Compensation Committee Interlocks and Insider Participation,” and is incorporated herein by reference.

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 2012 Proxy Statement 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 2012 Proxy Statement 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.

Information with respect to certain relationships and related transactions and director independence is contained under the captions “Corporate Governance at PepsiCo – Related Person Transactions” and “Corporate Governance at PepsiCo – Director Independence” in our 2012 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting 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 2012 Proxy Statement under the caption “Audit and Non-Audit Fees” and is incorporated herein by reference.

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 31, 2011, December 25, 2010 and December 26, 2009.

Consolidated Statement of Cash Flows – Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009.

Consolidated Balance Sheet – December 31, 2011 and December 25, 2010.

Consolidated Statement of Equity – Fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009.

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 27, 2012

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 27, 2012
/s/ Hugh F. Johnston Hugh F. Johnston	Chief Financial Officer	February 27, 2012
/s/ Marie T. Gallagher Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 27, 2012
/s/ Shona L. Brown Shona L. Brown	Director	February 27, 2012
/s/ Ian M. Cook Ian M. Cook	Director	February 27, 2012
/s/ Dina Dublon Dina Dublon	Director	February 27, 2012
/s/ Victor J. Dzau Victor J. Dzau	Director	February 27, 2012

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/s/ Ray L. Hunt Ray L. Hunt	Director	February 27, 2012
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 27, 2012
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 27, 2012
/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 27, 2012
/s/ James J. Schiro James J. Schiro	Director	February 27, 2012
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 27, 2012
/s/ Daniel Vasella Daniel Vasella	Director	February 27, 2012
/s/ Alberto Weisser Alberto Weisser	Director	February 27, 2012

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	
2.1	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., The Pepsi Bottling Group, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
2.2	Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., PepsiAmericas, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
2.3	Purchase Agreement dated as of December 1, 2010 among PepsiCo, Inc., Pepsi-Cola (Bermuda) Limited, Gavril A. Yushvaev, David Iakobachvili, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, Mikhail I. Vishnaykov, Aladaro Limited, Tony D. Maher, Dmitry Ivanov, Wimm Bill Dann Finance Cyprus Ltd. and Wimm-Bill-Dann Finance Co. Ltd. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2010.
3.1	Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011.
3.2	By-laws of PepsiCo, Inc., as amended, effective as of July 14, 2011, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2011.
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	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 filed with the Securities and Exchange Commission on May 25, 2007.
4.3	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 filed with the Securities and Exchange Commission on May 25, 2007.
4.4	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 filed with the Securities and Exchange Commission on December 3, 2007.
4.5	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 filed with the Securities and Exchange Commission on May 21, 2008.
4.6	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 filed with the Securities and Exchange Commission on October 24, 2008.
4.7	Form of 3.75% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 27, 2009.
4.8	Form of 3.10% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.9	Form of 4.50% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.10	Form of 5.50% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
4.11	Form of 0.875% Senior Note due 2013, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
4.12	Form of 3.125% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
4.13	Form of 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.

4.14	Board of Directors Resolutions Authorizing PepsiCo's Officers to Establish the Terms of the Floating Rate Note due 2011, 3.10% Senior Note due 2015, 4.50% Senior Note due 2020, 5.50% Senior Note due 2040, 0.875% Senior Note due 2013, 3.125% Senior Note due 2020 and 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.
4.15	Form of Floating Rate Note due 2013, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.16	Form of 2.500% Senior Note due 2016, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.17	Board of Directors Resolutions Authorizing PepsiCo's Officers to Establish the Terms of the Floating Rate Note due 2013, the 2.500% Senior Note due 2016, the 0.800% Senior Note due 2014 and the 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
4.18	Form of 0.800% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
4.19	Form of 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
4.20	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 filed with the Securities and Exchange Commission on October 24, 2008.
4.21	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 filed with the Securities and Exchange Commission on October 24, 2008.
4.22	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.

4.23	Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to $1,000,000,000 7% Series B Senior Note due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc.'s Registration Statement on Form S-1 (Registration No. 333-70291).
4.24	Second Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and The Bank New York Mellon Trust Company, N.A. to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.
4.25	First Supplemental Indenture, dated as of May 20, 1999, including the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc.'s Registration Statement on Form S-8 (Registration No. 333-64292) filed with the Securities and Exchange Commission on December 29, 2005.
4.26	Form of PepsiAmericas, Inc. 7.625% Note due 2015, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.27	Form of PepsiAmericas, Inc. 7.29% Note due 2026, which is incorporated herein by reference to Exhibit 4.7 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.28	Form of PepsiAmericas, Inc. 7.44% Note due 2026, which is incorporated herein by reference to Exhibit 4.8 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.29	Form of PepsiAmericas, Inc. 4.50% Note due 2013, which is incorporated herein by reference to Exhibit 4.9 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.30	First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.
4.31	Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4 to PepsiAmericas, Inc.'s Registration Statement on Form S-3 (Registration No. 333-108164) filed with the Securities and Exchange Commission on August 22, 2003.

4.32	Form of PepsiAmericas, Inc. 5.75% Note due 2012, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 12, 2007.
4.33	Form of PepsiAmericas, Inc. 4.375% Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 10, 2009.
4.34	Form of PepsiAmericas, Inc. 4.875% Note due 2015, which is incorporated herein by reference to Exhibit 4.15 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.35	Form of PepsiAmericas, Inc. 5.00% Note due 2017, which is incorporated herein by reference to Exhibit 4.16 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.36	Form of PepsiAmericas, Inc. 5.50% Note due 2035, which is incorporated herein by reference to Exhibit 4.17 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
4.37	Indenture dated as of November 15, 2002 among Bottling Group, LLC, as obligor, PepsiCo, Inc., as guarantor, and JPMorgan Chase Bank, as trustee, relating to $1,000,000,000 4 5/8% Senior Note due November 15, 2012, which is incorporated herein by reference to Exhibit 4.8 to The Pepsi Bottling Group, Inc.'s Annual Report on Form 10-K for the year ended December 28, 2002.
4.38	Indenture, dated as of June 10, 2003 by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, relating to $250,000,000 4 1/8% Senior Note due June 15, 2015, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's registration statement on Form S-4 (Registration No. 333-106285).
4.39	Indenture, dated as of October 1, 2003, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2003.
4.40	Form of Bottling Group, LLC 5.00% Senior Note due November 15, 2013, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 13, 2003.
4.41	Indenture, dated as of March 30, 2006, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, N.A., as trustee, which is incorporated herein by reference to Exhibit 4.1 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.

4.42	Form of Bottling Group, LLC 5.50% Senior Note due April 1, 2016, which is incorporated herein by reference to Exhibit 4.2 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
4.43	Form of Bottling Group, LLC 6.95% Senior Note due March 15, 2014, which is incorporated herein by reference to Exhibit 4.2 to Bottling Group, LLC's Current Report on Form 8-K dated October 21, 2008.
4.44	Form of Bottling Group, LLC 5.125% Senior Note due January 15, 2019, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2009.
4.45	Form of PepsiCo Guarantee of Pepsi-Cola Metropolitan Bottling Company, Inc.'s 7.00% due 2029, 7.625% Note due 2015, 7.29% Note due 2026, 7.44% Note due 2026, 4.50% Note due 2013, 5.75% Note due 2012, 4.375% Note due 2014, 4.875% Note due 2015, 5.00% Note due 2017, 5.50% Note due 2035 and Bottling Group, LLC's 5.00% Note due 2013, 4.125% Note due 2015, 5.50% Note due 2016 and 5.125% Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo's Current Report on Form 8-K dated October 5, 2010.
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 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.*
10.4	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.*
10.5	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.*
10.6	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.*

10.7	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.*
10.8	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit B to PepsiCo's Proxy Statement for its 2009 Annual Meeting of Shareholders.*
10.9	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.10	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.11	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.12	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.13	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.14	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 filed with the Securities and Exchange Commission on January 28, 2005.*
10.15	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.*
10.16	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.*
10.17	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 filed with the Securities and Exchange Commission on February 2, 2006.*

10.18	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 filed with the Securities and Exchange Commission on February 2, 2006.*
10.19	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 filed with the Securities and Exchange Commission on February 2, 2006.*
10.20	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 filed with the Securities and Exchange Commission on February 2, 2006.*
10.21	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 filed with the Securities and Exchange Commission on February 2, 2006.*
10.22	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.*
10.23	PepsiCo Director Deferral Program, amended and restated effective as of January 1, 2005 with revisions through March 10, 2011, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended March 19, 2011.*
10.24	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.*
10.25	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.*
10.26	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.*
10.27	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 filed with the Securities and Exchange Commission on February 7, 2007.*

10.28	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 filed with the Securities and Exchange Commission on February 7, 2007.*
10.29	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.*
10.30	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 filed with the Securities and Exchange Commission on May 8, 2007.*
10.31	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 filed with the Securities and Exchange Commission on May 8, 2007.*
10.32	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 filed with the Securities and Exchange Commission on May 8, 2007.*
10.33	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.*
10.34	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 filed with the Securities and Exchange Commission on February 7, 2008.*
10.35	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 filed with the Securities and Exchange Commission on February 7, 2008.*
10.36	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 filed with the Securities and Exchange Commission on February 11, 2009.*
10.37	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 filed with the Securities and Exchange Commission on February 11, 2009.*
10.38	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 filed with the Securities and Exchange Commission on February 11, 2009.*

10.39	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 filed with the Securities and Exchange Commission on February 11, 2009.*
10.40	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 filed with the Securities and Exchange Commission on February 11, 2009.*
10.41	PepsiCo Pension Equalization Plan (Plan Document for the 409A Plan), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo's Annual Report on Form 10-K for the fiscal year ended December 27, 2008.*
10.42	Form of Aircraft Time Sharing Agreement, which is incorporated herein by reference to Exhibit 10 to PepsiCo's Quarterly Report on Form 10-Q for the fiscal quarter ended March 21, 2009.*
10.43	PepsiCo Pension Equalization Plan (Plan Document for the Pre-Section 409A Program), January 1, 2005 Restatement, As Amended Through December 31, 2008, 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 13, 2009.*
10.44	PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.45	PBG 2002 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.46	PBG Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.47	The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.48	PBG Directors' Stock Plan, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.49	PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*

10.50	Amendments to PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan (effective February 8, 2007), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.51	Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan and PBG Stock Incentive Plan (effective February 19, 2010), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.52	PepsiAmericas, Inc. 2000 Stock Incentive Plan (including Amendments No. 1, No. 2 and No. 3 thereto), which is incorporated herein by reference to Exhibit 99.9 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.53	Amendment No. 4 to PepsiAmericas, Inc. 2000 Stock Incentive Plan (effective February 18, 2010), which is incorporated herein by reference to Exhibit 99.10 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.54	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.11 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.55	Amendment to the PepsiCo Pension Equalization Plan Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.12 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.56	Specified Employee Amendments to Arrangements Subject to Section 409A of the Internal Revenue Code, adopted February 18, 2010 and March 29, 2010, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.*
10.57	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2010.*

10.58	Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted June 28, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 4, 2010.*
10.59	Amendment to the PepsiCo Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Document), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.63 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.60	Retention Agreement, dated as of October 2, 2009, between PepsiCo, Inc. and Eric J. Foss, which is incorporated herein by reference to Exhibit 10.64 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.61	PBG Pension Equalization Plan (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.65 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.62	PBG Pension Equalization Plan (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.66 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.63	PBG Executive Income Deferral Program (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.67 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.64	PBG Executive Income Deferral Program (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.68 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.65	Letter Agreement, dated March 17, 2011, between PepsiCo, Inc. and Maura Abeln Smith.*
10.66	U.S. $2,875,000,000 Four-Year Credit Agreement, dated as of June 14, 2011, 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, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2011.
10.67	Amendment to the PBG Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Program), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 3, 2011.*

10.68	The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2010.*
10.69	Amendment to The PepsiCo International Retirement Plan Defined Benefit Program, effective as of January 1, 2011.*
10.70	PepsiCo Automatic Retirement Contribution Equalization Plan, effective as of January 1, 2011.*
10.71	Amendment to the PepsiCo Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program) and the PBG Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program), generally, effective January 1, 2011 and merging the PBG Pension Equalization Plan into the PepsiCo Pension Equalization Plan as of the end of the day on December 31, 2011.*
10.72	Services Agreement, dated as of December 12, 2011 and effective as of January 1, 2012, between Richard Goodman and PepsiCo, Inc., which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 13, 2011.*
10.73	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 filed with the Securities and Exchange Commission on February 3, 2012.*
10.74	Retirement Agreement, dated as of February 7, 2012 between Massimo d'Amore and PepsiCo, Inc., which is incorporated herein by reference to Exhibit 10.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2012.*
12	Computation of Ratio of Earnings to Fixed Charges.
14	Worldwide Code of Conduct, which is incorporated herein by reference to Exhibit 14 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.
21	Subsidiaries of PepsiCo, Inc.
23	Consent of KPMG LLP.
24	Power of Attorney executed by Indra K. Nooyi, Hugh F. Johnston, Marie T. Gallagher, Shona L. Brown, Ian M. Cook, Dina Dublon, Victor J. Dzau, Ray L. Hunt, Alberto Ibargüen, Arthur C. Martinez, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Alberto Weisser.
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.
101	The following materials from PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Statement of Cash Flows, (iii) the Consolidated Balance Sheet, (iv) the Consolidated Statement of Equity and (v) Notes to the Consolidated Financial Statements.

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

Exhibit 10.65

Private and Confidential

March 17, 2011

Dear Maura:

We are pleased to confirm our offer and your acceptance to join PepsiCo, Inc. (“PepsiCo” or the “Company”) as Executive Vice President, Government Affairs, General Counsel and Secretary, reporting to Indra Nooyi. Chairman and Chief Executive Officer of PepsiCo. The primary details of your offer are as follows:

- **Salary** – Your starting annual base salary will be $750,000 ($28,846.15 payable bi-weekly), less applicable taxes. Your position is not eligible for an automatic annual merit increase; instead, future adjustments to your base salary will be at the discretion of the Board of Directors of PepsiCo (the “Board of Directors”) based on a review of market data for comparable positions.
- **Start Date** – Your Start Date will be a mutually agreed date on or prior to July 1, 2011.
- **Sign-on Bonus** – You will receive a cash sign-on bonus in the amount of $2,000,000, less applicable taxes (the “Sign-on Bonus”), of which 50% will be paid as soon as practicable after your Start Date and 50% will be paid as soon as practicable following the first anniversary of your Start Date. In consideration of this Sign-On Bonus, you agree that, if, prior to the second anniversary of your Start Date, you resign your employment or your employment is terminated by the Company for Cause, (i) you will be entitled to retain only that portion of your Sign-on Bonus determined by multiplying the Sign-on Bonus by a fraction, the numerator of which will be the number of whole months that have elapsed from your Start Date to your termination date and the denominator of which will be 24 (such amount, your “Earned Sign-on Bonus”), (ii) you will repay the Company any portion of your Sign-on Bonus already paid to the extent it exceeds your Earned Sign-on Bonus and (iii) you will forfeit any unpaid portion of your Sign-on Bonus. For this purpose, “Cause” means any of the following: (A) breaching any obligation to the Company or violating the Company’s Code of Conduct, Insider Trading Policy or any other written policies of the Company; (B) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of your employment with the Company; (C) committing a felony or other serious crime; (D) engaging in any

activity that constitutes gross misconduct in the performance of your employment duties; or (E) engaging in any action that constitutes gross negligence or misconduct and that causes or contributes to the need for an accounting adjustment to PepsiCo's financial results.

- **Sign-on RSU Grant** – You will receive a special restricted stock unit ("RSU") award with a face value equal to $3,000,000, subject to approval by the Board of Directors. If your Start Date occurs on or before May 4, 2011, the grant date for this award will be May 4, 2011, and, if your Start Date occurs after May 4, 2011 but before July 1, 2011, the grant date for this award will be July 1, 2011 (such date, as applicable, the "Grant Date"). The number of RSUs you will be granted under this award will be determined by dividing the face value by the Fair Market Value of PepsiCo Common Stock on the Grant Date. The "Fair Market Value" on any date is the average of the high and low markct prices of PepsiCo Common Stock as reported on the New York Stock Exchange, rounded to the next highest quarter, on such date. Shortly after the Grant Date, you will receive an award agreement setting out the full terms of this award that you will be required to execute in order to receive this award. This award will vest 33% on the first anniversary of the Grant Date, 33% on the second anniversary of the Grant Date and 34% on the third anniversary of the Grant Date, in each case contingent on your continued employment through the applicable vesting date. RSUs will be settled in shares of PepsiCo Common Stock with accrued dividend equivalents paid in cash, less applicable taxes, as soon as practicable after the applicable vesting date.
- **Annual Bonus** – You will be eligible for an annual bonus under the PepsiCo, Inc. Executive Incentive Compensation Plan with a target annual bonus opportunity equal to 100% of your annual base salary. At the full discretion of the Board of Directors, annual bonuses are paid out from 0% to 200% of target depending on team and individual performance and are contingent on your continued employment through the end of the relevant performance year. Your 2011 annual bonus payable in March 2012 will be paid based on full-year participation and actual team and individual performance.
- **Long-Term lncentive Program** – You will be eligible to participate in the PepsiCo, Inc. 2007 Long-Term Incentive Plan ("LTIP") in accordance with its terms.

  You will receive a prorated 2011 annual LTIP award at target, subject to approval by the Board of Directors. If your Start Date occurs on or before May 4, 2011, your prorated 2011 annual LTIP award will have a face value of $1,150,000 and a grant date of May 4, 2011. If your Start Date occurs after May 4, 2011 but before July 1, 2011, your prorated 2011 annual LTIP award will have a face value of $1,050,000 and a grant date of July 1, 2011. Your prorated 2011 annual LTIP award will consist of performance stock units ("PSUs") and stock options as follows:

  - **PSUs** – A number of PSUs determined by dividing 50% of the face value of your prorated 2011 annual LTIP award by the Fair Market Value of PepsiCo Common Stock on the Grant Date. The PSUs awarded will vest on March 1, 2014, contingent on your continued employment and achievement of the applicable PepsiCo performance targets established by the Compensation Committee of the Board of

Directors for other similarly situated executives of the Company. The Compensation Committee will approve an actual PSU payout from 0% to 125% of the number of PSUs awarded based on achievement of the applicable PepsiCo performance targets. PSUs will be settled in shares of PepsiCo Common Stock with accrued dividend equivalents paid in cash, less applicable taxes, as soon as practicable after the applicable vesting date.

- **Stock Options** – A number of stock options determined by (i) dividing 50% of the face value of your prorated 2011 annual LTIP award by the Fair Market Value of PepsiCo Common Stock on your Grant Date and (ii) multiplying the resulting amount by four. The stock options awarded will have an exercise price per share equal to the Fair Market Value of PepsiCo Common Stock on your Grant Date, and, contingent on your continued employment, will vest on March 1, 2014.

The full terms of your prorated 2011 PSU and stock option awards will be set out in an award agreement that you will receive shortly after the Grant Date and that you will be required to execute in order to receive this award.

Your target annual LTIP award for 2012 will have a face value of $1,400,000. Your actual 2012 annual LTIP award will have a face value between 0% and 150% of target as determined by the Board of Directors in its full discretion based on team and individual performance and will be contingent upon your continued employment through the grant date. The grant date of your 2012 annual LTIP award will be aligned with the Company's 2012 annual LTIP award grant date for other similarly situated executives, with such grant date expected to occur on March 1, 2012.

- **Relocation** – As a result of PepsiCo's request that you relocate to the Purchase, NY area to assume your duties of EVP, Government Affairs, General Counsel and Secretary, you will be eligible for relocation expense reimbursement under the terms of the Company's relocation policy, which among the covered items includes shipment of household goods, home purchase assistance and mortgage assistance for three years. A copy of the Company's relocation policy will be provided under separate cover.

As a result of requiring relocation at your time of hire, you will be eligible for a loss-on-sale assistance on the sale of your primary residence due to the current adverse housing market conditions. If the appraised value offer for your primary residence is less than or equal to $1.2 million, loss-on-sale protection of $500,000, plus tax assistance, will be made to offset a portion of your losses incurred on the sale. If the appraised value offer for your primary residence is greater than $1.2 million, loss-on-sale protection equal to (i) $500,000 less (ii) the appraised value offer in excess of $1.2 million, plus tax assistance, will be made to offset a portion of your losses incurred on the sale. For this purpose, the appraised value offer will be determined in accordance with the Company's relocation policy.

- **Deferred Compensation Program** – You will be eligible to participate in the PepsiCo Executive Income Deferral Program (the "EIDP"), a non-qualified program that gives you the opportunity to defer a significant portion of your cash compensation. A copy of the most recent EIDP summary will be provided to you shortly after your Start Date along with EIDP election forms that must be completed and returned within 60 days of your Start Date to effectuate deferral elections for your 2011 base salary.
- **Benefits** – You will be eligible to participate in PepsiCo's benefit plans for salaried employees, which require employee contributions based on benefit choices. If elected, your health care coverage and life/accident insurance are effective upon your Start Date and disability protection will be effective after 90 days of employment. In addition, you will be eligible to receive from PepsiCo an automatic retirement contribution to the PepsiCo Savings Plan based on your age and years of service. You will also be eligible to make contributions to the PepsiCo Savings Plan and receive PepsiCo matching contributions. You will also be eligible to participate in the PepsiCo Stock Purchase Program and other benefit programs that may, from time to time, be applicable to the Company's salaried employees. A benefits book containing summaries of PepsiCo's benefit plans will be mailed to you shortly after your Start Date. Descriptions of these plans are also available on the Company's website at: www.pepsicoemployee.com.
- **Executive Car Program** – You will be eligible to participate in PepsiCo's Executive Car Program. Under the terms of this program, you will receive a cash allowance to help cover the cost of your personal automobile. The current annual cash allowance for your level is $25,350 (payable bi-weekly), less applicable taxes.
- **Insider Trading Policy** – As a result of your new role, you will be subject to PepsiCo's Insider Trading Policy. As such, you may only perform transactions in PepsiCo Common Stock during defined window periods and after obtaining approval from the PepsiCo Law Department and the Chairman and Chief Executive Officer of PepsiCo. You will receive further information on PepsiCo's Insider Trading Policy shortly after your Start Date.
- **Ownership Guidelines** – As a result of your new role, you will be subject to PepsiCo's Stock Ownership Guidelines. As such, you will be required to own shares of PepsiCo Common Stock equal to two times your annual base salary, as in effect from time to time, within five years of your Start Date. PepsiCo shares or equivalents held by you or your immediate family members, in the 401(k) plan, deferred compensation program or in a trust for the benefit of immediate family members count towards satisfying the requirement. Unexercised stock options and unvested PSUs and RSUs do not count towards satisfying the requirement.
- **Exercise and Hold Policy** – As a result of your new role, you will be subject to PepsiCo's Exercise and Hold Policy. As such, the aggregate amount of cash that you may receive upon the exercise of stock options during each calendar year is limited to 20% of the pre-tax gains on all vested outstanding options as of February 1 of that year. You will be exempt from this requirement once you have met, and continue to meet, your ownership level under PepsiCo's Ownership Guidelines.

The above describes the terms of your offer and some of the terms of PepsiCo's compensation and benefit programs. The terms and conditions of all compensation and benefits are governed by the official plan documents, as well as actions of the Board of Directors and its Compensation Committee, and such plans and programs are subject to change or termination by PepsiCo at any time without notice.

This offer of employment is contingent upon satisfactory passage of a background check and drug screening, and you returning a signed Employee Confidentiality and Intellectual Property Agreement. An employment application and relevant forms to complete the pre-employment process will be forwarded to you upon your acceptance of this offer. By signing below, you represent that your employment with PepsiCo will not conflict with or result in your breach of any agreement to which you are a party or by which you are bound. As with all PepsiCo executives, your employment is at-will, meaning you or the Company may terminate your employment at any time.

Maura, we are excited at the prospect of you joining our team and are confident you will make a significant impact at PepsiCo. Please acknowledge your acceptance of the above offer by signing below and returning this letter to me.

Sincerely,

/s/ Cynthia M. Trudell
Cynthia Trudell, EVP, Human Resources & Chief Personnel Officer

Accepted /s/ Maura Abeln Smith Date 3/16/11

Exhibit 10.68

THE PEPSICO INTERNATIONAL RETIREMENT PLAN
DEFINED BENEFIT PROGRAM
(PIRP-DB)

As Amended and Restated
Effective as of January 1, 2010

TABLE OF CONTENTS

ARTICLE I – HISTORY AND GENERAL INFORMATION

The Plan came into operation on and took effect from September 1, 1980, and was comprised of the "PepsiCo International Retirement Plan Trust Indenture" and the "Plan Rules", and was later amended and restated in its entirety, effective September 2, 1982.

The Plan was further amended and restated in its entirety, effective October 1, 2003, whereupon the Plan Rules became the "Plan A Rules" (applicable to benefits funded by the Corporation's contributions to the trust established by the PepsiCo International Retirement Plan Trust Indenture) and the "Plan B Rules" (applicable to benefits funded by the Corporation as they arise) took effect.

The Plan was further amended effective January 1, 2005, so that no person subject to taxation in the United States of America may in any way have their right to a benefit from the Plan come into existence, increase or in any way be enhanced, but instead will be determined as if they had left the Corporation and any Associated Company permanently before becoming subject to U.S. taxation.

Effective January 1, 2010 (the "Restatement Date"), the Plan A Rules and Plan B Rules were amended and restated in their entirety to form a single governing legal document, as set forth herein. The terms of the Plan set forth in this amended and restated governing legal document are known as the "DB Program" (also known as "PIRP-DB"). This amended and restated governing legal document shall apply to Members who are in Membership from and after the Restatement Date, as well as any others who claim rights from and after the Restatement Date that are derived from current or former Membership, including former Members and the Dependants and Eligible Spouses of Members and former Members. Notwithstanding any other provision of this Plan, the amendment and restatement of this Plan, the supersession of the prior documents by this Plan, and the prior existence of separate Plan A and Plan B Rules shall not at any time result in any duplication of benefits (nor shall duplication of benefits result from any other factor or circumstance related to this Plan or any prior version of this Plan).

Effective January 1, 2011, the Corporation established a new defined contribution structure under the Plan (the "DC Program" also known as "PIRP-DC"). The DC Program will benefit selected international employees for whom the DC Program has been determined to be appropriate from among—(i) employees who are on assignments outside of their home countries and for whom it is judged to be impracticable to have them participate in their home country retirement plans, and (ii) employees who are among a selected group of senior globalists on United States tax equalized packages. The terms of the DC Program are set forth in a separate governing legal document. Together, the DC Program and the DB Program set forth the terms of a single Plan.

At all times, the Plan is unfunded and unsecured for purposes of the United States Internal Revenue Code and Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The benefits of an executive are an obligation of that executive’s individual employer. With respect to his employer, the executive has the rights of an unsecured general creditor. The Plan is also intended to be exempt from ERISA as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States.

ARTICLE II – DEFINITIONS AND CONSTRUCTION

2.01 Definitions.

Where the following words and phrases appear in this governing legal document for the DB Program, they shall have the meaning set forth below, unless a different meaning is plainly required by the context:

(a) "Active Member" means a who is currently eligible to accrue Pensionable Service under the DB Program; accordingly, it refers to a Member who has been admitted or re-admitted to Membership pursuant to Article III, but who has not retired on Pension, withdrawn from or otherwise ceased to be (or to be deemed to be) in Service as an Eligible Employee, or for any other reason ceased to be eligible to accrue Pensionable Service for the purpose of the DB Program.

(b) "Actuary" means the individual actuary or firm of actuaries selected by the Vice President to provide actuarial services in connection with the administration of the DB Program.

(c) "Annuity Starting Date" means the first day of the first month for which a Pension is payable as an annuity or in any other form.

(d) "Approved Transfer" means any of the following that are initiated or approved by the Corporation or (with the approval of the Corporation) by a Member's Employer —

(1) The Member's transfer to employment based in the United States or its territories;

(2) The Member's secondment to a work location in the United States or its territories;

(3) Any other change in the Member's employment circumstances that will cause the Member to become a U.S. Person.

(e) "Associated Company" means any company or undertaking which—(i) is directly or indirectly controlled by or associated in business with the Corporation, and (ii) which has agreed, subject to the ongoing consent of the Vice President, to perform and observe the conditions, stipulations and provisions of the DB Program and to be included among the Employers under the DB Program. "Associated Companies" means all such companies or undertakings.

(f) "Corporation" means PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(g) “Dependant” means the person who shall receive any amounts with respect to a Member’s Pension payable upon the Member’s death, in such cases where the Member’s Pension is payable in one of the forms of payment under Sections 5.02 and 5.03 that include a survivor option.

(h) “DB Program” means the portion of the Plan that provides a program of defined benefits and that is described in the governing legal document entitled “The PepsiCo International Retirement Plan Defined Benefit Program (PIRP-DB),” as it may be amended from time to time. The DB Program is also sometimes referred to as “PIRP-DB.”

(i) “DC Program” means the portion of the Plan that provides a program of defined contributions and that is described in the governing legal document entitled “The PepsiCo International Retirement Plan Defined Contribution Program (PIRP-DC),” as it may be amended from time to time. The DC Program is also sometimes referred to as “PIRP-DC.”

(j) “Eligible Employee” means an individual who the Vice President has determined—(i) is a full-time salaried Third Country National employed exclusively outside of the United States of America on the regular staff of an Approved Employer, and (ii) is not currently designated by the Vice President as in a position that can make him eligible to earn “pay credits” under the DC Program. The Vice President shall have the discretion to designate as an Eligible Employee a part-time employee who, but for his part-time status, otherwise satisfies the requirements of the preceding sentence.

(k) “Eligible Spouse” means the individual to whom the Member is married on the earlier of the Member’s Annuity Starting Date or the date of the Member’s death. The determination of whether a Member is married shall be made by the Vice President based on the law of the Member’s principal residence; provided, however, that for purposes of the DB Program, a Member shall have only one Eligible Spouse.

(l) “Employers” means the Corporation and any and every Associated Company or such one or more of any of them as the context shall determine or the circumstances require. “Employer” in relation to any person means whichever it is of the Employers in whose employment that person is or was at the relevant time or those Employers (if more than one) in whose employment he had been during the relevant period. An “Approved Employer” means an Employer that, as of the time in question, has been approved by the Vice President (and remains approved) to have its Eligible Employees become and continue as Active Members under the DB Program.

(m) “Entry Date” means September 1, 1980 and the first day of each subsequent month.

(n) “Members” means all Eligible Employees who have been admitted to Membership pursuant to Article III and who remain entitled to a benefit under the DB Program. In relation to each of the Employers, any reference to Members means those Members in or formerly in its employment. References to “Membership” are references to the status of being a Member.

(o) "Normal Retirement Age" means age 65 or, if later, the age at which a Member first has five (5) years of Service.

(p) "Normal Retirement Date" means in relation to a Member the first day of the month coincident with or immediately following the Member's Normal Retirement Age.

(q) "Pension" means a series of level monthly payments or single lump sum payment payable to a person who is entitled to receive benefits under the DB Program.

(r) "Pensionable Service" means in relation to a Member the period, or where appropriate the aggregate of periods, of a Member's Service as an Eligible Employee of an Approved Employer, which is counted for purposes of determining the amount of benefits under the DB Program payable to, or on behalf of, a Member. Pensionable Service shall also include any other period of employment with a member of the PepsiCo Organization or any Employer for which the Vice President determines to give credit under the DB Program to the Member. Absent special circumstances, as determined by the Vice President, such other period of such prior period of employment will only be counted as Pensionable Service if such Employer maintained a retirement plan to which it made contributions on behalf of eligible employees.

(s) "Plan" means the PepsiCo International Retirement Plan, which as of January 1, 2011 consists of the DB Program and DC Program.

(t) "PepsiCo Organization" means the controlled group of organizations of which the Corporation is a part, as defined by U.S. Internal Revenue Code section 414 and regulations issued thereunder. An entity shall only be considered a member of the PepsiCo Organization during the period it is one of the group of organizations described in the preceding sentence.

(u) "PepsiCo Salaried Plan" means the PepsiCo Salaried Employees Retirement Plan, as it may be amended from time to time.

(v) "Salary" means in relation to a Member his calendar year base pay, plus overtime pay, commission payments and amounts paid pursuant to the incentive compensation plans (annual bonus plans) of an Employer, but shall exclude —

(1) Any pay that would ordinarily qualify as Salary as described above to the extent it is earned by the Member—(i) while working for the PepsiCo Organization or any Employer in the United States, (ii) while participating in the PepsiCo Salaried Plan, and/or (iii) while a U.S. Person, and

(2) All other amounts taxable as remuneration for personal services, including amounts received or deemed received under any other pension or welfare plan maintained by a member of the PepsiCo Organization or any Employer, premium bonuses, sign-on bonus or other one-time payments, income from stock option exercises and any special allowances (whether given in respect of residence, cost of living, education, transfer or otherwise).

If a Member has Salary in accordance with the prior sentence and then ceases to be employed by an Employer (but the Member remains employed by a member of the PepsiCo Organization), compensation while employed by the member of the PepsiCo Organization that otherwise would qualify as Salary hereunder shall be considered Salary for purposes of the DB Program. In the event a Member's Salary is paid in currency other than United States dollars, such currency shall be converted to United States dollars according to procedures established by the Global Mobility Team, or if no so such procedures exist as of the time in question, as reasonably determined by the Vice President. Notwithstanding the foregoing provisions of this definition, the Vice President may exercise his discretion to determine a Member's Salary based on an alternative definition that is different than that set forth above.

(w) "Service" means in relation to a Third Country National (or other employee deemed an Eligible Employee by the Vice President) only the period during which such Third Country National (or such other employee) was continuously in employment (including all permissible periods of authorized leave of absence) with any Approved Employer. A permissible period of authorized leave of absence is a period of absence of not more than 12 months, unless a longer period is individually authorized in writing by the Vice President. A break in service of less than 12 months shall not be considered to have broken the continuity of a Member's Service. Other breaks in service (including a break in service of at least 12 months and a break in service before an individual has become a Member) shall break the continuity of an individual's Service, and employment before the break in service will only be counted as Service if it would otherwise qualify under this subsection and the Vice President approves its being counted (which approval may provide for such pre-break employment being counted as vesting Service, entitlement Service, or both). Vesting Service means Service that is taken into account solely in determining vesting, and entitlement Service means Service that is taken into account solely in determining entitlement for Early Retirement, Normal Retirement and Late Retirement.

For an individual who transfers from employment with an Employer as an ineligible Employee to the status of an Eligible Employee of an Employer, his pre-transfer period of employment with an Employer may be counted as Service only with the approval of the Vice President (which approval may provide for such pre-transfer employment being counted as vesting Service, entitlement Service, or both).

Except as otherwise provided by the Vice President, Service shall not include an individual's periods of employment with any company or undertaking prior to it becoming an Employer or a member of the PepsiCo Organization.

No determination of an individual’s Service shall result in any duplication, and all of the DB Program’s provisions shall at all times be interpreted consistently with the terms of this subsection.

(x) “Status Change” means any change in a Member’s circumstances (other than a change in circumstances that constitutes an Approved Transfer) that will cause the Member to become a U.S. Person.

(y) “Third Country National” means any individual who is not: (1) a U.S. Person, (2) employed in his home country, (3) employed in his hire country, except as permitted by the Vice President, nor (4) accruing benefits under a retirement plan sponsored by his Employer in his home country while abroad. An individual’s home or hire country as of any time shall be the country that is designated at that time as the individual’s home or hire country, respectively, on the records of the applicable entity (which shall be the Global Mobility Team, its successor (if any) or such other group within the PepsiCo Organization that is designated for this purpose by the Vice President), or is so designated in accordance with such rules as the applicable entity shall choose to apply from time to time. The records described in the preceding sentence are intended to be maintained outside the United States of America.

(z) “U.S. Person” means: (1) a citizen of the United States of America; (2) a person lawfully admitted for permanent residence in the United States of America at any time during the calendar year, or who has applied for such permanent residence (within the meaning of United States Internal Revenue Code section 7701(b)(1)(A)); or (3) any other person who is a resident alien of the United States of America under United States Internal Revenue Code section 7701(b)(l)(A) because, for example, the person satisfies the substantial presence test under United States Internal Revenue Code section 7701 (b)(3) or makes an election to be treated as a United States resident under United States Internal Revenue Code section 7701(b)(4).

(aa) “Vice President” means the Vice President of Benefits of PepsiCo, Inc.

2.02 Construction.

(a) Gender and Number: In this document for the DB Program where the context does not otherwise determine, words importing the masculine gender shall include the feminine gender and words importing the singular number shall include the plural number and vice versa.

(b) Determining Periods of Years: For the purposes of the DB Program, any period of 365 consecutive days (or of 366 consecutive days, if the period includes 29th February) shall be deemed to constitute a year, but not so that in the calculation of a number of years any day is counted more than once. Where the amount of a benefit depends upon the calculation of a number of years or months without expressly requiring that these should be complete years or months, a proportionate amount (*i.e.*, a number of days) may be given for any part of a year or month which would not otherwise be included in the calculation. Where the this document makes reference to months or parts of a year, or to any other period of time except a day, week or year the Vice President may authorize the period to be counted in days or complete calendar months with each calendar month counted as l/12th of a year.

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

(d) 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 document 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 limitation on its breadth of application).

(e) Subdivisions of This Document: This document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and 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. 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 – MEMBERSHIP

3.01 Eligibility for Membership.

Every person who the Vice President determines is an Eligible Employee shall be eligible for Membership.

3.02 Admission to Membership.

(a) Every person who was an Active Member of the DB Program immediately prior to the Restatement Date shall continue as an Active Member of the DB Program from and after the Restatement Date, to the extent such Active Membership is consistent with the provisions of the DB Program, as amended and in effect on and after the Restatement Date. In addition, every persons who was a Member but not an Active Members immediately prior to the Restatement Date shall continue as a Member of the DB Program from and after the Restatement Date, to the extent such Membership is consistent with the provisions of the DB Program, as amended and in effect on and after the Restatement Date.

(b) Every person who is not a Member and who the Vice President deterrnines is an Eligible Employee shall, following the approval of his Membership by the Vice President, be admitted to Membership, effective as of the Entry Date coinciding with or immediately following the date on which his Service commences or he becomes an Eligible Employee (as determined by the Vice President), whichever is later. No Eligible Employee or any other person shall be admitted to Membership without the approval of the Vice President.

ARTICLE IV – REQUIREMENTS FOR BENEFITS

4.01 Normal Retirement Pension.

A Member shall be entitled to a Normal Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on his Normal Retirement Age. The Member's Annuity Starting Date shall be the first day of the month coincident with or immediately following the day the Member terminates employment with both his Employer and the PepsiCo Organization. The Member's Pension shall be paid in the normal form of payment applicable to the Member under Section 5.02 unless the Member elects an optional form of payment under Section 5.03. The Member's Pension shall be calculated in accordance with Table A.

4.02 Early Retirement Pension.

A Member shall be entitled to an Early Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on or after age 55 but before his Normal Retirement Age, and after he has completed 10 or more years of Service. The Member's Annuity Starting Date ordinarily shall be his Normal Retirement Date. The Member may, however, by filing a written election with the Vice President, direct that his Annuity Starting Date shall be the first day of any month after the Member terminates employment with both his Employer and the PepsiCo Organization but before the Member's Normal Retirement Date. The amount of such Pension shall be computed in accordance with Table A as if the Member retired at his Normal Retirement Date, but on the basis of the Member's Highest Average Monthly Salary (as defined in Table A) and Pensionable Service as of his employment termination date; provided, however, that, in the case of a Member electing to receive his Pension prior to attaining his Normal Retirement Date, the amount of his Pension shall be reduced by 4/12 of 1 percent for each month by which the day on which the Pension commences precedes the date on which the Member would have attained age 62.

4.03 Special Early Retirement Pension.

A Member may be entitled to receive a Special Early Retirement Pension if his employment with both his Employer and the PepsiCo Organization terminates on or after age 50 but before age 55 and after completion of not less than 10 years of Service and only if such Special Early Retirement Pension payments have been authorized by the Vice President. The Annuity Starting Date of such Special Early Retirement Pension shall be the first day of the month after the Vice President authorizes such Special Early Retirement Pension. The amount of such Pension shall be computed in accordance with Table A, as if the Member retired at his Normal Retirement Date, but on the basis of the Member's Highest Average Monthly Salary (as defined in Table A) and Pensionable Service as of his employment termination date; provided, however, that the amount of such Member's Pension so determined shall be reduced by 4/12 of 1 percent for each month by which the day on which the Pension commences precedes the date on which the Member would have attained age 62.

4.04 Deferred Vested Pension.

(a) This Section 4.04 applies to a Member who terminates employment with both his Employer and the PepsiCo Organization before becoming eligible for a Normal Retirement Pension, Early Retirement Pension or Special Early Retirement Pension.

(b) A Member described in (a) above who has met one of the requirement to be vested in Sections 4.06 and 4.07 shall be entitled to receive a Pension (hereinafter referred to as a "Deferred Vested Pension"). The amount of such Deferred Vested Pension shall be determined in accordance with Table A; provided, however, that in the case of a Member who remains in the employment of the PepsiCo Organization or any Employer after ceasing to be an Active Member, the amount of such Member's Deferred Vested Pension shall be determined in accordance with Table A by reference to (i) the Member's Highest Average Monthly Salary at the date the Member terminates employment with both his Employer and the PepsiCo Organization (but only to the extent permitted under Sections 9.13 and 9.14), and (ii) the Member's Pensionable Service as of his termination of employment date.

(c) A Member's Deferred Vested Pension shall commence at the later of (i) the Member's termination of employment with both his Employer and the PepsiCo Organization, or (ii) the Member's Normal Retirement Date. However, a Member may elect, by filing a written election with the Vice President to have his Deferred Vested Pension commence as of the first day of any month after the date he attains age 55 (or the date of his termination of employment with both his Employer and the PepsiCo Organization, if later). In the case of a Member electing to receive his Deferred Vested Pension prior to attaining his Normal Retirement Date, the amount of his Pension shall be reduced in accordance with the reduction factors applicable to early commencement of a "Vested Pension" under the PepsiCo Salaried Plan, not the percentage factors which apply to an Early and Special Early Retirement Pension as described in Sections 4.02 and 4.03.

(d) If Member becomes entitled to a Deferred Vested Pension under subsection (a) above and once again becomes an Eligible Employee, he shall be re-admitted to Active Membership in accordance with the provisions of Article III. His Service and Pensionable Service from his earlier period as an Active Member shall be aggregated with his subsequent period of Service and Pensionable Service for purposes of calculating his Pension upon his later retirement or other termination of employment with both his Employer and the PepsiCo Organization, but only if his Pension with respect to his earlier period of Pensionable Service was not previously cashed out under Section 5.05.

4.05 Late Retirement Pension.

A Member who continues employment with the PepsiCo Organization or any Employer after his Normal Retirement Age shall be entitled to a Late Retirement Pension. The Member's Annuity Starting Date shall be the first day of the month coincident with or immediately following the day the Member terminates employment with both his Employer and the PepsiCo Organization. The Member shall be credited with his Salary and Pensionable Service after his Normal Retirement Date, unless otherwise prospectively determined by the Vice President.

4.06 Vesting.

Subject to Section 9.14 and to Table A (I)(c), a Member shall be fully vested in, and have a nonforfeitable right to, his Pension upon completing 5 years of Service, or if earlier, upon the death or disability of the Member while employed by the Employer or PepsiCo Organization. The determination of whether a Member has become disabled for this purpose shall be made by the Vice President in accordance with such standards that the Vice President deems to be appropriate as of the time in question.

4.07 Special Vesting for Approved Transfers and Status Changes.

(a) Automatic Special Vesting for Approved Transfers. Notwithstanding Section 4.06 above, in the case of an Active Member who will have an Approved Transfer during a Plan Year, the Active Member shall automatically have special vesting apply as of the last business day before the earlier of—(a) the Active Member's Approved Transfer, or (b) the day the Active Member would become a U.S. Person in connection with the Approved Transfer.

(b) Special Vesting for Status Changes. Also notwithstanding Section 4.06 above, in the case of an Active Member who will have a Status Change, the Active Member may request that the Vice President apply special vesting to him as of the last business day before the Active Member's Status Change. In order for special vesting related to a Status Change to be valid and effective under the DB Program, the Active Member's request and the Vice President's approval of the request must both be completely final and in place prior to the date that the special vesting applies.

The effect of special vesting applying to a Member in accordance with either subsection (a) or (b) above is that the Member will become vested, to the same extent as could apply under Section 4.06 if the Member vested under that Section, as of the date that the special vesting applies.

4.08 Accruals After Benefit Commencement.

This section applies to a Member who earns Service and Pensionable Service for a period that is after his Annuity Starting Date under the preceding Sections of this Article IV (other than an Annuity Starting Date related to a cashout distribution under Section 5.05). Any prior benefits that have been suspended, and any additional benefits accrued by Member after his prior benefit commencement, shall be paid at his subsequent Annuity Starting Date. The suspension or continuation of a Member's prior benefits, any adjustments to the Member's benefits that are payable upon his subsequent Annuity Starting Date, and the election of a time and form of payment for benefits payable at the subsequent Annuity Starting Date, shall be subject to rules established by the Vice President for this purpose. Such rules shall be based upon the PepsiCo Salaried Plan's rules for benefits accrued after the benefit commencement date of a participant in that plan, unless the Vice President determines that a modification of those rules is appropriate.

ARTICLE V – DISTRIBUTION OPTIONS

5.01 Distribution Options.

(a) Section 5.02 sets forth the normal forms of payment for married and unmarried Members. For purposes of Section 5.02, a Member is considered married if he is married on his Annuity Starting Date.

(b) Section 5.03 sets forth the optional forms of payment that may be available to married and unmarried Members who elect not to receive benefits in the normal form. For purposes of Section 5.03, a Member will also be considered married if he is married on the date he elects an optional form of payment.

(c) A distribution is only available under this Article V to the extent a Member has met the requirements for benefits under Article IV.

5.02 Normal Forms of Payment.

(a) Single Life Annuity for Unmarried Members: An unmarried Member shall be paid his Pension in the form of a Single Life Annuity unless he elects otherwise in accordance with Section 5.03. The Single Life Annuity provides monthly payments beginning at the Member's Annuity Starting Date and ending with the last monthly payment due prior to the Member's death.

(b) 50 Percent Survivor Annuity for Married Members: A married Member shall be paid his Pension in the form of a 50 Percent Survivor Annuity, as described herein, unless he elects otherwise in accordance with Section 5.03. The 50 Percent Survivor Annuity provides reduced monthly payments beginning at the Member's Annuity Starting Date and ending with the last monthly payment due prior to the Member's death, with a 50 percent contingent survivor annuity for the benefit of his Eligible Spouse beginning on the first day of the month following the Member's death and ending with the last monthly payment due prior to the death of the Eligible Spouse. Subject to Section 5.03(g), the amount of the Member's Pension, determined in accordance with Table A, shall be reduced by 10 percent. In the case of a Member who became entitled to a Pension under Section IV of the Plan, as in effect prior to January 1, 1990, the Member's Pension accrued as of such date shall not be subject to this reduction to the extent provided under the Plan's terms as of such date.

5.03 Optional Forms of Payment.

(a) Optional Forms Available to Married Members: A married Member who elects not to receive benefits in the normal form may receive his Pension in the form of the Single Life Annuity described in Section 5.02(a) above or the 75 Percent Survivor Annuity described in (b)(2) below, regardless of whether he is eligible for the optional forms of payment described in (b), (c) and (d) below.

(b) Survivor Options: A married or unmarried Member who elects not to receive benefits in the normal form may elect to receive payment of his Pension in accordance with one of the survivor options listed below. Such election shall be made on such form and during such period prior to commencement of the Member's Pension as may be required by the Vice President. The Member also may designate, prior to commencement, a Dependant to receive the survivor portion of his elected survivor option on such form as may be required by the Vice President; provided, however, that (1) the approval of the Vice President shall be necessary if the Member designates a Dependant other than the Member's Eligible Spouse; and (2) if a married Member elects an option described in this subsection (b) and names a Dependant other than his Eligible Spouse, he must submit written evidence of the Eligible Spouse's consent to such option and designation of a Dependant. A Member may not change his form of benefit or Dependant after his Pension has commenced.

(1) 100 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the same reduced amount shall continue after the Member's death to his Dependant for life. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 20 percent. In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, the above Pension reduction may be subject to a subsidy, as determined by the Vice President.

(2) 75 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the amount of 75 percent of such reduced Pension shall continue after the Member's death to his Dependant for life. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 15 percent. In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, the above Pension reduction may be subject to a subsidy, as determined by the Vice President.

(3) 50 Percent Survivor Option: The Member shall receive a reduced Pension payable for his life and payments in the amount of 50 percent of such reduced Pension shall continue after the Member's death to his Dependant for life. Subject to subsection (f) below, the amount of the Member's reduced Pension is determined by reducing the amount of the Member's Single Life Annuity benefit, determined in accordance with Table A, by 10 percent. In the case of a Member who became entitled to a Pension under the Plan as in effect prior to January 1, 1990, his Pension shall not be subject to this reduction.

(4) Ten-Year Certain and Life Option: Subject to Section 5.04, a Member may elect to receive a reduced Pension payable monthly for his lifetime but for not less than 120 months. If the Member dies before 120 payments have been made, the monthly Pension amount shall be paid for the remainder of the 120-month period to the Member's primary Dependant (if the primary Dependant has predeceased the Member, to the Member's contingent Dependant; and if there is no contingent Dependant, to the Member's estate). If post-death payments commence to a Member's primary or contingent Dependant and such Dependant dies before all remaining payments due have been made, then the remaining payments shall be paid to such Dependant's estate. Effective as of the Restatement Date, the Member's Dependant or estate (as applicable) may elect by following the procedures set forth by the Vice President for this purpose, instead to receive a single lump sum payment that is the actuarial equivalent of the remaining payments due to such Dependant or estate (but computed without reduction for mortality), determined as of the date on which the lump sum payment is processed by the Vice President. The amount of the Member's reduced Pension is determined by reducing the Member's Single Life Annuity benefit, determined in accordance with Table A, by 5 percent.

(c) Lump Sum Payment: Subject to Section 5.04, a Member who elects not to receive benefits in the normal form may elect to receive payment of his Pension in the form of a single lump sum payment. The amount of the single lump sum payment shall be the actuarial equivalent of the Single Life Annuity, determined in accordance with Table A, utilizing the lump sum equivalent factors applicable to lump sum distributions under the PepsiCo Salaried Plan, calculated as of the date payments would have commenced under the normal form of benefit or other optional benefit. The lump sum payment shall be made in one taxable year of the Member and shall be paid as soon as practicable after the date specified by the Member in his written election. Effective for lump sum payments due to be paid on or after the Restatement Date, interest will be added to late lump sum payments in accordance with the administrative practices of the PepsiCo Salaried Plan. No interest shall be payable on such sum during any such deferred period specified by the Member.

(d) Combination Lump Sum/Monthly Benefit: Subject to Section 5.04, a married or unmarried Member who elects not to receive his Pension in the normal form may elect to receive payment of his Pension in the form of a combination lump sum/monthly benefit option. If elected, the Member shall receive a portion of his benefit in the form of a lump sum payment, and the remaining portion in the form of one of the monthly benefits described in Sections 5.02 and 5.03. The benefit shall be divided between the two forms of payment based on the whole number percentages designated by the Member on a form provided for this purpose. To be effective, the two percentages designated by the Member must add to 100 percent.

(1) The amount of the benefit paid in the form of a lump sum is determined by multiplying: (A) the amount determined under Section 5.03(c) by (B) the percentage that the Member has designated for receipt in the form of a lump sum.

(2) The amount of the benefit paid in the form of a monthly benefit is determined by multiplying: (A) the amount of the monthly benefit elected by the Member, determined in accordance with Sections 5.03(a) or (b), by (B) the percentage that the Member has designated for receipt in the form of a monthly benefit.

(e) Death Prior to Pension Becoming Payable: If a Member who is entitled to an immediate Pension under Article IV elects an optional form of payment under this Section 5.03, if such election meets all requirements to be effective (other than the Member's survival, but including the time for making the election and any necessary Eligible Spouse's consent), and thereafter the Member dies after leaving employment but before such Pension becomes payable, then on the first day of the month next following his death such optional form of payment shall be deemed to be in effect. Such deemed effectiveness may only apply once and only to the initial election made by a Member (except as permitted by a decision of the Vice President that is made prior to the Member's submission of a subsequent purported election). Notwithstanding the foregoing, in the case of the option under Section 5.03(b), if the Member's specified Dependant has died or shall die before the date on which the first installment of the Member's Pension was prospectively payable in accordance with the optional form of payment elected by the Member, the Member's election of such optional form shall not be given effect.

(f) Reduction for Certain Younger Dependants: Notwithstanding the reduction factors specified in Sections 5.02(b) and 5.03, a Member electing a form of payment that includes a survivor option shall have his Pension reduced in accordance with this subsection (f) in the event the Dependant under such survivor option is more than 10 years younger than the Member.

(1) Not More than 20 Years Younger: In the event the Dependant is more than 10 years younger than the Member, but not more than 20 years younger, the percentage reduction that otherwise would apply shall be increased by 5 percentage points.

(2) More than 20 Years Younger: In the event the Dependant is more than 20 years younger than the Member, the 5 percentage point increase in the reduction provided in (1) above shall be further increased by an additional 0.2 percent for each full year over 20.

5.04 Applicability of Certain Options.

Notwithstanding the preceding provisions of this Article V, the availability of certain distribution options shall be restricted in accordance with the terms of this Section 5.04.

(a) Pre-1990 Distributions: The form of payment described in Section 5.03(d) above shall not be available unless the Member's Annuity Starting Date is after 1989.

(b) Deferred Vested Pensions: Deferred Vested Pensions under Section 4.04 shall be eligible for payment only under the Single Life Annuity, the 50 Percent Survivor Option or the 75 Percent Survivor Option.

(c) Simplified Actuarial Factors: In the case of a Member who became entitled to a Pension prior to January 1, 1990, the actuarial equivalencies described in the preceding provisions of this Article V shall be adjusted as provided by the Vice President from time to time to reflect the value of any subsidized survivor benefit to which the Member is entitled under the last sentence of Section 5.02(b) (regarding the availability on favorable terms of the survivor benefit described in Section 5.02(b)).

5.05 Cashout of Small Benefits.

Where the total Pension payable to any person under the DB Program is, in the opinion of the Vice President, of an amount that is relatively trivial (when considered by itself or in relation to the potential administrative burden of continuing to keep track of such Pension under the DB Program), he may commute the whole of such Pension to a lump sum payable following (i) the relevant Member's termination of employment from both his Employer and the PepsiCo Organization, or (ii) a Member's transfer within the PepsiCo Organization that results in the Member ceasing to actively accrue all benefits under the DB Program, on a date determined in the discretion of the Vice President, without the consent of the Member.

5.06 Designation of Dependant.

A Member who has elected to receive all or part of his pension in a form of payment that includes a survivor option shall designate a Dependant who will be entitled to any amounts payable on his death. A Member shall have the right to change or revoke his Dependant designation at any time prior to the effective date of his election. If the Member is married at the time he designates a Dependant, any designation under this section of a Dependant who is not the Member's Eligible Spouse shall require the written consent of the Member's Eligible Spouse. A revocation of a Dependant does not require consent by the Member's Eligible Spouse. The designation of any Dependant, and any change or revocation thereof, and any written consent of a Member's Eligible Spouse required by this Section shall be made in accordance with rules adopted by the Vice President, shall be made in writing on forms provided by the Vice President, and shall not be effective unless and until filed with the Vice President. In the case of the survivor option described in Section 5.03(b)(4), the following shall apply: (i) the Member shall be entitled to name both a primary Dependant and a contingent Dependant, and (ii) if no Dependant is properly designated, then a Member's election of such option will not be given effect.

ARTICLE VI – DEATH BENEFITS

The surviving Eligible Spouse of a Member who dies shall be entitled to certain survivor benefits if the requirements of this Article VI are satisfied. The amount of any such benefit shall be determined in accordance with Section II of Table A.

6.01 Active and Retirement-Eligible Members.

In the event of the death of a married Active Member or a married Member in Service after his Normal Retirement Date, who had at his death completed at least 5 years of Service, or of a Member entitled to an Early Retirement Pension under Section 4.02 or a Special Early Retirement Pension under Section 4.03, and who is not entitled at the time of his death to the protection provided by Section 5.03(e), there shall be a Pre-Retirement Spouse's Pension payable to the Member's surviving Eligible Spouse, if any, calculated in accordance with the provisions of Section II of Table A.

6.02 Deferred Vested Members.

In the event of the death of a married Member who is entitled to a Deferred Vested Pension under Section 4.04 and who is not entitled at the time of his death to the protections provided by Section 5.03(e), there shall be payable a Pre-Retirement Spouse's Pension, which shall be calculated based on the Member's Salary and Pensionable Service at the time of the Member's termination of employment date. The benefit shall be calculated as if the Member lived until the earliest date the Member's vested benefit could have started, after having elected to start his benefit at that time in the form of a 50 Percent Survivor Annuity, and died that same day.

Coverage for this Pre-Retirement Spouse's Pension shall be paid for with a reduction to the monthly benefit otherwise payable to the Member. The reduction charged to the Member's benefit shall be calculated in accordance with the methodology, and based on the same factors, provided for under the PepsiCo Salaried Plan, as in effect from time to time. The Member may only waive this Pre-Retirement Spouse's Pension coverage with the approval of the Vice President.

6.03 Form and Time of Payment of Death Benefits.

(a) Form of Payment: Any Pension payable pursuant to this Article VI shall be payable for the surviving Eligible Spouse's life only; however, in the case of a Pension payable to a surviving Eligible Spouse where the Member was eligible for a Normal, Early or Special Early Retirement Pension at death, the Eligible Spouse may elect to receive the Pension in the form of a single lump sum payment in lieu of the annuity payment.

(b) Time of Payment: Subject to Section 6.04, any Pension payable to the Eligible Spouse under this Article VI shall commence on the first day of the month coinciding with or next following the Member's death, or if later, the date on which the

Member would have attained age 55. In the event a Pension payable to a Member's Eligible Spouse commences before the Member would have reached Normal Retirement Age, the benefit will be reduced as set forth in Section 4.02,4.03 or 4.04, as applicable based on the Pension to which the Member was entitled, to reflect early commencement.

6.04 Disposition of Death Benefits.

Any benefit expressed to be subject to disposition in accordance with the provision of this Article VI shall be held by the Vice President with power to pay or apply the same to or for the benefit of such one or more of the Member's Dependants, as the Vice President shall think fit and if more than one in such shares as they shall likewise think fit. Notwithstanding any other provision of the DC Program, the Vice President may direct that such benefit shall commence or be paid in a lump sum as soon as practicable after the Member's date of death.

ARTICLE VII – ADMINISTRATION

7.01 Authority to Administer Plan.

(a) Administration by the Vice President: The Plan shall be administered by the Vice President, who shall have the authority to interpret the Plan and issue such regulations as he deems appropriate. All actions by the Vice President hereunder may be taken in his sole discretion, and all interpretations, determinations and regulations made or issued by the Vice President shall be final and binding on all persons and parties concerned.

(b) Authority to Delegate: The Vice President may delegate any of his responsibilities under the Plan to other persons or entities, or designate or employ other persons to carry out any of his duties, responsibilities or other functions under the Plan. Any reference in the Plan to an action by the Vice President shall, to the extent applicable, refer to such action by the Vice President's delegate or other designated person.

7.02 Facility of Payment.

Whenever, in the opinion of the Vice President, 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 Vice President may direct that payments from the Plan be made to such person's legal representative for his benefit, or that the payment be applied for the benefit of such person in such manner as the Vice President 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.

7.03 Claims Procedure.

The Vice President 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 his decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Vice President decides in his 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 Vice President 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 Member or Dependant (a "claimant") is wholly or partially denied, the Vice President, or a party designated by the Vice President, will provide such claimant within the 90-day period following the receipt of the claim by the Vice President, a comprehensible written notice setting forth:

(1) The specific reason or reasons for such denial;

(2) Specific reference to pertinent Plan provisions on which the denial is based;

(3) 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

(4) A description of the Plan's claim review procedure (including the time limits applicable to such process).

If the Vice President determines that special circumstances require an extension of time for processing the claim he may extend the response period from 90 to 180 days. If this occurs, the Vice President 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 Vice President expects to make the final decision. Upon review, the Vice President shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Vice President comments, document, records and other information relevant to the claim and the Vice President'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 Vice President 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 and free of charge, 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 Vice President 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.

7.04 Limitations on Actions.

Effective for claims and actions filed on or after January 1, 2011, any claim filed under Article VII and any action filed in any court or other tribunal by or on behalf of a former or current Employee, Member, Dependant or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than earlier of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action; (ii) the date identified to the Petitioner by the Vice President on which payments shall commence; or (ii) when he has actual or constructive knowledge of the facts that are the basis of his claim. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described above shall have no effect on this two-year time frame.

7.05 Restriction of Venue.

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner shall only be brought or filed in the state or federal courts of New York, specifically the state or federal court, whichever applies, located nearest the Corporation’s headquarters, effective for claims and actions filed on or after January 1, 2011, or effective for claims filed pursuant to Section 7.03 on or after January 1, 2011 in the case of claims or actions that seek review of a claim filed pursuant to Section 7.03.

7.06 Effect of Specific References.

Specific references in the Plan to the Vice President’s discretion shall create no inference that the Vice President’s discretion in any other respect, or in connection with any other provision, is less complete or broad.

ARTICLE VIII – AMENDMENT AND TERMINATION

8.01 Continuation of the Plan.

While the Corporation intends to continue the Plan indefinitely, it assumes no contractual obligation as to its continuance. The Corporation 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 Member or his Dependant is entitled under the Plan on the date of such amendment or termination, unless the Member becomes entitled to an amount equal to such benefit under another plan or practice adopted by the Corporation. Specific forms of payment are not protected under the preceding sentence.

8.02 Amendment.

The Corporation may, in its sole discretion, make any amendment or amendments to the Plan from time to time, with or without retroactive effect, subject to Section 8.01. An Employer (other than the Corporation) shall not have the right to amend the Plan.

8.03 Termination.

The Corporation 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.

ARTICLE IX – MISCELLANEOUS

9.01 Unfunded Plan.

The Employers' obligations under the Plan shall not be funded, but shall constitute liabilities by the Employer payable when due out of the Employer's general funds. To the extent a Member 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 Employer.

9.02 Costs of the Plan.

Unless otherwise agreed by the Corporation, all costs, charges and expenses of or incidental to the administration and management of the Plan shall be the costs, charges and expenses of the Employers and shall be paid by each Employer based on the proportion of Members who are employed by such Employer as compared to the total number of Members at the time the cost or expense is incurred.

9.03 Temporary Absence of Member.

If a Member is absent from duty by reason other than death, discharge, retirement or quitting (e.g., sickness, accident, layoff, vacation), he shall be deemed to have terminated employment on the date that is 12 months after the date on which he is absent, unless the Vice President determines otherwise. If the Member's absence from duty is by reason of his service as a full-time member of the armed forces of any country or of any organization engaged in national service of any such country, he shall not be deemed to have terminated employment so long as he is regarded by the Employer as remaining in employment or until he shall resign permanently from employment, whichever shall first occur.

9.04 Taxes, Etc.

In the event any tax or assessment or other duty is determined by the Vice President to be owing in respect of any benefit payable from the Plan, the Plan shall be entitled to withhold an amount not exceeding the amount of any such tax or assessment or other duty from the benefit payable and shall apply the same in satisfaction of said tax or assessment or other duty.

9.05 Nonguarantee of Employment.

Nothing in the Plan shall be construed as a contract of employment between an Employer and any of its employees, or as a right of any such employee to continue in the employment of the Employer, or as a limitation of the right of an Employer to discharge any of its employees, with or without cause.

9.06 No Right to Benefits.

No person, whether or not being a Member, shall have any claim, right or interest under the Plan except as provided by the terms of the Plan. In the event of a Member's termination of employment by an Employer, the resulting cessation of his Active Membership shall not be grounds for any damages or any increase in damages in any action brought against the Employer or any member of the PepsiCo Organization with respect to such termination.

9.07 Charges on Benefits.

All benefits in respect of a Member under the Plan shall stand charged with and be subject to deductions therefrom of all sums in respect of losses to a member of the PepsiCo Organization or Employer or otherwise caused by misdemeanor of the Member and on production by the member of the PepsiCo Organization or Employer of proof satisfactory to the Vice President that any such loss ought to be made good by a Member. The relevant amount shall be deductible from the Member's benefits and be payable to the Employer or member of the PepsiCo Organization whose receipt shall be a valid discharge for the same.

9.08 Termination for Cause; Prohibited Misconduct.

(a) Notwithstanding any other provision of this Plan to the contrary, if the Vice President determines that a Member has been terminated for cause or engaged in Prohibited Misconduct at any time prior to the second anniversary of the date his or her employment with the PepsiCo Organization terminates, the Member shall forfeit his Pension (whether paid previously, being paid currently or payable in the future), and his or her Pension shall be adjusted to reflect such forfeiture and any previously paid Pension payments shall be recovered. As a condition to Membership in this Plan, each Member agrees to this, and each Member agrees to repay PepsiCo the amounts it seeks to recover under this Section 9.08.

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

(1) The Member accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Member'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 Member, directly or indirectly (including through someone else acting on the Member'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 Member 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 Member 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 Member engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Corporation's Code of Conduct, engaging in unlawful trading in the securities of the Corporation 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 Member 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 Member had reason to know was under development by the PepsiCo Organization during the Member's employment with the PepsiCo Organization.

9.09 Notices.

Any notice which under the Plan is required to be given to or served upon the Plan shall be deemed to be sufficiently given to or served upon the Plan if it is in writing and delivered to the Vice President. In any case where under the Plan any notice shall be required to be given to Members, it shall be sufficient if such notice is delivered to the Member's last known address on file in the records of the Employer or delivered to the Member pursuant to any other method (*e.g.*, electronically) that the Vice President determines is reasonably available to the Member.

9.10 Plan Documentation.

Every Member shall on demand be entitled to a copy of the governing legal document for the DB Program.

9.11 Currency of Payment.

Payment of benefits under the Plan shall be made in United States dollars, or other "eligible currency," as approved by the Vice President. For both annuity and lump sum payments, the amount otherwise payable in United States dollars would be converted to the selected currency using the exchange rate, based on the methodology approved by the Vice President from time to time.

9.12 Governing Law.

The Plan shall in all respects be governed by and interpreted according to the laws of the State of New York.

9.13 Exemption from ERISA.

The Plan is intended to be exempt from the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States. In order to preserve this exemption from ERISA, both Active Membership in the Plan and the opportunity to increase Highest Average Monthly Earnings after ceasing to be an Active Member, in accordance with Section 4.04(b), shall be limited to individuals who are nonresident aliens of the United States and whose assigned work locations are outside the United States, and it is intended that all permanent records and documentation relating to the administration of the Plan shall be kept at a location that is outside of the United States.

9.14 Exemption from Section 409A.

In order to permit this Plan to be completely exempt from United States Internal Revenue Code section 409A, effective January 1, 2005, this Plan shall be subject to the special operating rules and limitations in this Section 9.14. It is the intent of the Plan that no Member who is a U.S. Person may in any way have their benefit from the Plan vest, increase or in any way be enhanced (collectively, a "Benefit Enhancement") as a result of their compensation or service while a U.S. Person. Accordingly, no Member shall become entitled to a Benefit Enhancement with respect to a calendar year until it is determined, following the close of such year, that the Member was not a U.S. Person with respect to such year. Notwithstanding the preceding sentence, in the calendar year a Member's benefit under this Plan is scheduled to commence, the Vice President may authorize a Benefit Enhancement for the calendar year of benefit commencement to the extent the Vice President determines satisfactorily that the Member will not be a U.S. Person for such year. In other cases, the Member's benefit will commence under this Plan without any Benefit Enhancement related to the calendar year of commencement, and appropriate adjustments will be made to the Member's benefit in the following year if it is determined that the Member was not a U.S. Person in such calendar year of commencement.

ARTICLE X - SIGNATURE

This Plan is hereby adopted this 16th day of December, 2010, to be effective as of January 1, 2010.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President, Human Resources
Chief Personnel Officer

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

TABLE A – CALCULATION OF PENSIONS

This section sets forth the formulas for calculating the Pension payable to a Member under Article IV or the Death Benefit payable to a Member's Eligible Spouse under Article VI. Any benefits accrued under the DB Program by a Member while a part-time employee, following such Member's designation by the Vice President as an Eligible Employee pursuant to the last sentence of Section 2.01(g), shall be prorated as determined by the Vice President to reflect the approximate ratio of the Member's level of services during such part-time status to the level required for full-time status at the Member's work location.

(I) Member's Pension

(a) The Pension payable (as a Single Life Annuity benefit) on retirement at Normal Retirement Date for Members who became members of the Plan before January 1, 1976 shall be the larger of the Pension calculated under this paragraph (a) or under paragraph (b) below. The Pension under this paragraph (a) shall be the greater of (1) or (2) below:

(1) 1.5 percent of the Member's Highest Average Monthly Salary (as hereinafter defined) multiplied by the number of years of Pensionable Service; or

(2) 3 percent of the Member's Highest Average Monthly Salary, multiplied by the number of years of his Pensionable Service but not exceeding 15 years.

(b) The Pension payable (as a Single Life Annuity benefit) on retirement at Normal Retirement Date (i) for Members who became members of the Plan on or after January 1, 1976, and (ii) for persons (other than those in (i)) who became Members on or after September 1,1980, and (iii) for persons (other than in (i) or (ii)) who became Members after November 12, 1998, shall be the Pension calculated under this paragraph (b). The pension calculated under this paragraph (b) shall be the aggregate of:

(1) For up to the first 10 years of Pensionable Service, the product of (i) 3 percent of the Member's Highest Average Monthly Salary, multiplied by (ii) the number of years of Pensionable Service, but not exceeding 10 such years; plus

(2) For any years of Pensionable Service in excess of 10, the product of (i) 1 percent of the Member's Highest Average Monthly Salary, multiplied by (ii) the number of years of Pensionable Service in excess of 10.

(c) At the discretion of the Vice President, the Pension calculated as provided in paragraphs (a) and (b) above shall be reduced by some or all of the following:

(1) All state pension and social security benefits receivable by the Member attributable to Service other than those derived from unmatched and unreimbursed voluntary contributions made by the Member;

(2) The annuity equivalent of a like portion of all capital sum benefits receivable by the Member on or by reason of his retirement either from a state source or from the Employer in consequence of a requirement of local legislation, including, but not limited to, termination indemnities;

(3) Any benefits payable to the Member (or in respect of him) from other retirement benefit plans of the Employers in respect of any period of employment which qualifies as Pensionable Service both under the DB Program and under such other retirement benefit plans of the Employers;

(4) Any other payment made by the Employer at the time of termination of the Member that arises from any severance agreement made between the Employer and Member, for whatsoever reason;

(5) The value (as determined in accordance with methodology approved by the Vice President) of any benefits paid to the Member prior to his retirement from any plan in respect of any period of employment which qualifies as Pensionable Service both under the DB Program and under such other retirement benefit plans of the Employers;

(6) Any deductions, reductions or forfeiture of a Member's benefits resulting from a Member's misdemeanor, misconduct or discharge for cause pursuant to Section 9.08 hereof.

No such deduction shall be made in respect of any such benefits as are derived from unmatched and unreimbursed voluntary contributions made by the Member. The value of all such deductions shall be subject to adjustment to reflect the form and timing of payment All deductions set out in this paragraph (c) shall be calculated as of the Member's termination date and in accordance with methodology approved by the Vice President from time to time.

(d) If the Pension payable to or on behalf of a Member is reduced under paragraph (c) above, an alternative calculation of the Pension for such Member shall apply unless the Vice President determines that the alternative calculation would be unnecessary or impractical or would not serve the purposes of the DB Program. Under this alternative calculation, only the Member's Pensionable Service under this DB Program, which does not include any employment that is taken into account in determining benefits under paragraph (c)(1)—(5), shall be considered, and the reductions under paragraph (c)(1)—(5) shall be disregarded (however, the reduction under paragraph (c)(6) shall be taken into account). If this alternative calculation applies, the Pension payable under this alternative calculation shall be compared to the Pension payable under paragraphs (a), (b) and (c) above, and whichever provides the greater Pension amount will be payable to or on behalf of the Member, subject to the remaining provisions of this paragraph (d). The alternative calculation set forth in this paragraph (d) is intended to provide a calculation methodology that replicates the effect of the "extended wearaway" calculation methodology, as it is in effect from time to time under the PepsiCo Salaried Plan. Notwithstanding the foregoing terms of this paragraph (d), any benefit increase provided as a result of this paragraph (d) will be limited so that in the judgment of the Vice President it is not in excess of what should be available given the intent described in the preceding sentence.

(e) For purposes of this Table A, “Highest Average Monthly Salary” means one twelfth of the yearly average of the Member’s Salary over any 5 consecutive calendar years of Service in which such Salary was highest (or over such lesser period as the Member has been in Service). For purposes of determining a Member’s Highest Average Monthly Salary, the following shall apply:

(1) A calendar year with no Salary shall be disregarded, and the calendar years preceding and following such calendar year (or years) shall be considered consecutive.

(2) If in a calendar year there is an unpaid authorised leave of absence, or other absence from paid service, that results in less than a complete year of Salary, such calendar year shall be disregarded and the next preceding or succeeding year or years shall be taken into account if it results in a higher average.

(f) In determining the amount of a Deferred Vested Pension for the purposes of Section 4.04, the Pension shall be equal to the greatest of the amounts determined under subsection (1), (2) or (3) below:

(1) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date (subject to a maximum of 35 years) and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member’s actual years of Pensionable Service prior to October 1, 2003 (subject to a maximum of 35 years) and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date (subject to a maximum of 35 years).

(2) The aggregate of:

(i) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member’s actual years of Pensionable Service prior to October 1, 2003 and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date; and

(ii) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and the Highest Average Monthly Salary at the date the Member ceases to be in Service, reduced by a fraction, the numerator of which is the Member’s actual years of Pensionable Service after September 30, 2003 and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date.

(3) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Date and the Highest Average Monthly Salary at the date the Member ceases to be in Service, reduced by a fraction, the numerator of which is the Member's actual years of Pensionable Service and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Date.

For Members who became Members of the Plan before January 1, 1976, the Deferred Vested Pension shall be the larger of 1 $^{1}/_{2}$ percent of the Member's Highest Average Monthly Salary multiplied by the Member's number of years of Pensionable Service at termination or the amount determined by the Vice President based on actuarial information provided to the Vice President.

All deductions set out in (c) above that are applicable to a Member entitled to a Deferred Vested Pension shall be calculated as of the time such Member ceases to be in Service and in accordance with methodology approved by the Vice President.

(II) Pre-Retirement Spouse's Pension

Effective for deaths before July 1, 2010, the Pre-Retirement Spouse's Pension payable pursuant to the provisions of Section 6.01 shall be equal to 25 percent of the Pension, payable as a Single Life Annuity, to which the Member would have been entitled at his Normal Retirement Date, calculated as in Part I above as if the Member had remained an Active Member until age 65 without change in his Highest Average Monthly Salary. In computing the Member's Pension for this purpose the Member's Pension shall be reduced to reflect any benefits which would have been taken into account under Part I above had the Member retired on the date of death, but shall not reduce the Pre-Retirement Spouse's Pension to reflect commencement prior to the date the Member would have attained Normal Retirement Age. Notwithstanding the preceding provisions of this paragraph, if a Member covered by Section 6.01 dies after the date he would have been entitled to retire early under Section 4.02, the Pre-Retirement Spouse's Pension payable to such spouse shall not be less than 50 percent of the Pension to which the Member would have been entitled if he had retired on the day preceding his death and shall be reduced in accordance with Section 4.02 if the spouse commences the Pre-Retirement Souse's Pension prior to the date the Member would have attained age 62.

APPENDIX ERW – EARLY RETIREMENT WINDOWS

ERW.1 Scope.

This Appendix ERW supplements the main portion of the DB Program with respect to the rights and benefits of Covered Employees.

ERW.2 Definitions and Program Specific Rules.

This section provides definitions for the following words or phrases in boldface and underlined. Where they appear in this Appendix ERW with initial capitals they shall have the meaning set forth below. Except as otherwise provided in this Appendix ERW, all defined terms shall have the meaning given to them in Section 2.01 of the DB Program.

(a) Appendix ERW: This Appendix ERW to the DB Program.

(b) Covered Employee: An Active Member who:

(1) Is an Eligible Employee of an Employer at the time his employment is terminated involuntarily pursuant to the Reorganization;

(2)

(i) For purposes of the 2007/2008 Restructuring, has his last day of active employment between the Effective Date and December 31, 2008 (inclusive) and has a Severance Date pursuant to paragraph (1) above that occurs on or after the Effective Date but no later than December 31, 2009; and

(ii) For purposes of the 2008/2009 Restructuring, has his last day of active employment between the Effective Date and August 31, 2009 (inclusive) and has a Severance Date pursuant to paragraph (1) above that occurs on or after the Effective Date but no later than December 26, 2009;

(3) Is entitled to receive enhanced severance pay under the Severance Program as part of the Reorganization, or is entitled to receive severance pay pursuant to an agreement described in (5) below;

(4) Is authorized in writing by the Vice President to receive the benefits under this Appendix ERW; and

(5) Signs, submits and does not revoke a qualifying severance agreement releasing the Corporation and the Associated Companies and each of their employees, agents and affiliates from liability, subject to the Corporation's determination that (i) such severance agreement meets all substance, form and timing requirements that the Corporation applies and (ii) such severance agreement is entered into under the Severance Program as part of the Reorganization.

Any Active Member who does not meet all of the foregoing requirements is not a "Covered Employee" and is not eligible for the benefits under this Appendix ERW.

(c) Reorganization: The reorganization, plant closing, or other event that triggered the applicable Severance Program.

(d) Severance Date: An Active Member's final day of employment with the Employer pursuant to the Reorganization.

(e) Severance Program and Effective Date: The Terms Severance Program and Effective Date are defined as follows, separately for each Severance Program:

(1) 2007/2008 Restructuring. For purposes of the 2007/2008 Restructuring, Severance Program means both the "PepsiCo Transition Severance Program for the 2007 Restructuring for Salaried Employees Below Band 1" and the "PepsiCo Transition Severance Program for the Equipment & Service Management Restructuring for Salaried Employees below Band 1" and Effective Date means February 4, 2008 (that is, the first date an Active Member would be able to retire under this paragraph (1)).

(2) 2008/2009 Restructuring. For purposes of the 2008/2009 Restructuring, Severance Program means both the "PepsiCo Transition Severance Program for the 2008/2009 Restructuring for Salaried Employees Below Band I" and the "PepsiCo Transition Severance Program for the 2008/2009 Restructuring for Salaried Employees Band I" and Effective Date means April 3, 2009 (that is, the first date an Active Member would be able to retire under this paragraph (2)).

ERW.3 Special Early Retirement.

Any Covered Employee who meets the eligibility requirements of subsection (a) below shall be treated as eligible for a Special Early Retirement Pension under Section 4.03.

(a) Eligibility requirements: To be eligible under this section, an individual must:

(1) Be a Covered Employee on his Severance Date,

(2) For purposes of the 2007/2008 Restructuring only:

(i) have attained at least age 50 (but not age 55) by his Severance Date, and

(ii) be credited with at least 10 years of Vesting Service as of his Severance Date

(3) For purposes of the 2008/2009 Restructuring only:

(i) have attained at least age 50 (but not age 55) by his "Pension Termination Date" (which means the earlier of the Covered Member's Severance Date or the date that is 52 weeks after the Covered Member's last day of active employment pursuant to the Reorganization);

(ii) be credited with at least 10 years of Vesting Service as of his Severance Date. For purposes of determining whether the Covered Member has met the age and service requirements, the Covered Member's age and years of Vesting Service are rounded up to the nearest whole year,

(iii) not return to employment with an Employer before his Pension Termination Date, and

(iv) not be otherwise eligible for Normal or Early Retirement Pension.

(b) <u>Amount of Reduction</u>: In determining the amount of the Special Early Retirement Pension provided under this Appendix ERW, the 4/12ths of 1 percent per month early commencement reduction of Section 4.03 shall apply. The Special Early Retirement Pension provided under this section is otherwise subject to all the usual limitations set forth in the DB Program.

(c) <u>Non-Duplication of Benefits:</u> For the avoidance of doubt, the Special Early Retirement Pension made available pursuant to this Appendix ERW shall be in lieu of the Special Early Retirement Pension pursuant to Rule 4.03 of the DB Program. Covered Employees shall not be entitled to, and shall not receive, a Special Early Retirement Pension pursuant to Section 4.03 of the DB Program. In addition, the Special Early Retirement Pension under this Appendix ERW shall not be available to any individual who is eligible for special early retirement under the PepsiCo Salaried Plan (or who claims such special early retirement, unless a release of such claim acceptable to the Corporations is provided). By accepting benefits pursuant to this Appendix ERW, a Covered Employee is conclusively presumed to have waived irrevocably any and all right to a Special Early Retirement Pension under Section 4.03 or to special early retirement benefits under the PepsiCo Salaried Plan (or any other plan maintained or contributed to by the Corporation or an Associated Company).

(d) <u>LTIP Awards:</u> Any Covered Employee who is treated as eligible for an Early Retirement Pension pursuant to this Rule ERW shall also be deemed to qualify for "Retirement" for purposes of such Covered Employee's outstanding stock option and restricted stock unit awards under the PepsiCo Inc. Long-Term Incentive Plan, the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan and the PepsiCo SharePower Stock Option Plan.

Exhibit 10.69

AMENDMENT ONE TO THE

PEPSICO INTERNATIONAL RETIREMENT PLAN

(As Amended and Restated Effective as of January 1, 2010)

The PepsiCo International Retirement Plan (the “Plan”) is hereby amended as follows, effective January 1, 2011:

I.

Section (I)(f)(l) of Table A of the Defined Benefit Program component of the Plan is hereby deleted in its entirety and replaced as follows:

(1) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Age (subject to a maximum of 35 years) and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member’s actual years of Pensionable Service prior to October 1, 2003 (subject to a maximum of 35 years) and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Age.

II.

The fifth paragraph of Article I—History and General Information of the Defined Contribution Program component of the Plan is hereby deleted in its entirety and replaced with the following:

Effective January 1, 2011, the Corporation established a new defined contribution structure (the “DC Program”) to benefit selected international employees for whom it has been determined to be appropriate (*i.e*., employees on assignments outside of their home countries for whom it is judged to be impractical to have them participate in their home country retirement plans, and employees who are among a selected group of senior globalists on United States tax equalized packages). The terms of the DC Program are set forth in this document, which is the governing legal document for the DC Program. Together, the DC Program and the DB Program set forth the terms of a single Plan. The DC Program is also sometimes referred to in employee communications as the PepsiCo International Pension Plan or "PIPP."

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources
Chief Personnel Officer
Date: December 20, 2011

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

Exhibit 10.70

PEPSICO
AUTOMATIC RETIREMENT
CONTRIBUTION EQUALIZATION PLAN

Effective as of January 1, 2011

PepsiCo Automatic Retirement Contribution Equalization Plan
Table of Contents

ARTICLE I – FOREWORD

PepsiCo, Inc. (the "Company") established the PepsiCo Automatic Retirement Contribution Equalization Plan (the "Plan") for the benefit of employees of the PepsiCo Organization who receive Automatic Retirement Contributions under the PepsiCo Savings Plan (the "Savings Plan"), and whose Automatic Retirement Contributions are affected by certain Code limitations. In particular, the Plan is designed to benefit eligible employees whose Automatic Retirement Contributions under the Savings Plan are curtailed by the limitation on compensation under Code section 401(a)(17) or the limitation on annual additions under Code section 415, or who have any other reductions in Automatic Retirement Contributions as a result of the employee's deferrals under the PepsiCo Executive Income Deferral Program (the "EID Program).

The Plan is effective as of January 1, 2011. Also as of the beginning of the day on this date, the PBG Supplemental Savings Plan (the "PBG Plan") merged with and into this Plan. Appendix A of this Plan sets forth special provision applicable to amounts that were earned under the PBG Plan.

At all times, the Plan is unfunded and unsecured for purposes of the Code and ERISA. The benefits of an executive are an obligation of that executive's individual employer. With respect to his or her employer, the executive has the rights of an unsecured general creditor.

ARTICLE II – DEFINITIONS

When used in this Plan, the following boldface terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

2.1 ARC Equalization Account; Account.

The unfunded, notional account maintained for a Participant on the books of the Participant's Employer that indicates the dollar amount that, as of any time, is credited under the Plan for the benefit of the Participant. The balance in such account shall be determined by the Plan Administrator. The Plan Administrator may establish one or more subaccounts as it deems necessary for the proper administration of the Plan, and may also combine one or more subaccounts to the extent it deems separate subaccounts are not then needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable subaccount that has been established thereunder.

2.2 Beneficiary.

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Recordkeeper, to receive the amounts credited to the Participant's ARC Equalization Account in the event of the Participant's death in accordance with Section 6.3(c).

2.3 Code.

The Internal Revenue Code of 1986, as amended from time to time.

2.4 Company.

PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

2.5 Distribution Valuation Date.

The date as specified by the Plan Administrator from time to time as of which Participant ARC Equalization Accounts are valued for purposes of a distribution from a Participant's Account. Currently, the Distribution Valuation Date for a Participant is the month end that occurs just after the event specified in Article VI that triggers the Participant's distribution. Accordingly, if the trigger event occurs on December 30 of a year, the current Distribution Valuation Date is December 31 of that year, and if the trigger event occurs on December 31 of a year, the current Distribution Valuation Date is January 31 of the following year. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in when deferrals are paid out that is impermissible under Section 409A. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

2.6 Effective Date.

The date as of which the Plan is effective, January 1, 2011.

2.7 EID Program.

The PepsiCo Executive Income Deferral Program.

2.8 Eligible Employee.

An Employee who is eligible to participate actively in the Plan in accordance with Section 3.1. An Employee's status as an Eligible Employee shall be determined separately with respect to each payroll date.

2.9 Employee.

An individual who qualifies as an "Employee" as that term is defined in the Savings Plan.

2.10 Employer.

An entity that qualifies as an "Employer" as that term is defined in the Savings Plan.

2.11 ERISA.

Public Law No. 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.12 Equalized Automatic Retirement Contribution.

The contributions made to the Plan pursuant to Section 4.1.

2.13 Key Employee.

The individuals identified in accordance with the following paragraphs.

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

(1) 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)(l));

(2) A five-percent owner of any member of the PepsiCo Organization; or

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

For purposes of subsection (a) 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 Treasury Regulation section 1.415(c)-2(a), without regard to Treasury Regulation sections 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 or clarification of the foregoing definition that applies under Section 409A shall be taken into account (determined in accordance with Treasury Regulation section 1.419A-l(i), and giving effect to the default rules that apply under such regulation for determining the minimum number of a service recipient’s specified employees).

(b) Applicable Year. 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, 2010 shall apply to the period from April 1, 2011 to March 31, 2012).

(c) Rule of Administrative Convenience. Notwithstanding the foregoing, the Plan Administrator shall apply the following rule of administrative convenience for determining Key Employees for purposes of complying with the six-month payment delay that is required under Section 409A of the Code with respect to such employees:

(1) From the Effective Date until March 31, 2011, an employee shall be a Key Employee (subject to paragraph (3) below) if he was classified as at least a Band 4 or its equivalent on December 31, 2009. For this purpose, an employee shall be considered to be at least a Band 4 or its equivalent as of a date if the employee is classified as one of the following types of employees in the PepsiCo Organization on that date: (i) a Band 4 employee or above in a PepsiCo Business, (ii) a Level E7 employee or above in a PBG Business, or (iii) a Salary Grade 19 employee or above at a PAS Business. For purposes of this paragraph, "PAS Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PAS business; "PBG Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PBG business; and "PepsiCo Business" means each employer, division of an employer or other organizational subdivision of an employer that the Company classifies as part of the PepsiCo business.

(2) For the twelve-month period that begins on April 1, 2011, and for each twelve-month period that begins on April 1 in subsequent years, an employee shall be a Key Employee (subject to paragraph (3) below) if the employee was an employee of the PepsiCo Organization who was classified as Band 4 or above on the December 31 that immediately precedes such April 1.

(3) Notwithstanding paragraphs (1) and (2) above, an employee shall be a Key Employee for the 12-month period that begins on any April 1, if as of the preceding December 31 the employee would be a Key Employee under the provisions of subsection (a) above. If the preceding sentence and the methods for identifying Key Employees set forth in paragraph (1) or (2) above, taken together, would result in more than 200 individuals being counted as Key Employees as of any December 31 determination date, then the number of individuals treated as Key Employees pursuant to paragraph (1) or (2), who are not described in the first sentence of this paragraph (3), shall be reduced to 200 by eliminating from consideration those employees otherwise added by such subparagraph in order of their base compensation, from the lowest base compensation to the highest.

2.14 Participant.

An Employee (or former Employee) participating in the Plan in accordance with the provisions of Article III.

2.15 PepsiCo Organization.

The controlled group of organizations of which the Company is a part, as defined by Code section 414(b) and (c) and the 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.

2.16 Plan.

The PepsiCo Automatic Retirement Contribution Equalization Plan, the plan set forth herein, as it may be amended and restated from time to time.

2.17 Plan Administrator.

The PepsiCo Administration Committee (PAC), which shall have authority to administer the Plan as provided in Article VII, except that the PepsiCo Investment Committee (PIC) shall have the authority under Section 7.3(h) to select or change phantom investment options available under the Plan.

2.18 Plan Year.

The 12-consecutive month period beginning on January 1 and ending on the following December 31 of the same calendar year.

2.19 Recordkeeper.

For any designated period of time, the party that is delegated the responsibility, pursuant to the authority granted in the definition of Plan Administrator, to maintain the records of Participant Accounts, process Participant transactions and perform other duties in accordance with any procedures and rules established by the Plan Administrator.

2.20 Savings Plan.

The PepsiCo Savings Plan, as it may be amended from time to time.

2.21 Section 409A.

Section 409A of the Code.

2.22 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. The following principles shall generally apply in determining when a Separation from Service occurs:

(a) A Participant separates from service with the Company if the Employee has a termination of employment with the Company other than for death. Whether a termination of employment has occurred is determined based on whether the facts and circumstances 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).

(b) 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 shall be substituted for such six-month period. In the case of such a disability leave of absence, a Separation from Service shall occur on the earlier of the date that the Participant has reached 29 continuous months of disability leave of absence or the date that the Participant formally resigns his employment with the Employer and the PepsiCo Organization.

(c) 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.

2.23 United States.

Any of the 50 states, the District of Columbia, and the U.S. Virgin Islands.

2.24 Valuation Date.

Each business day, as determined by the Recordkeeper, as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. In accordance with procedures that may be adopted by the Plan Administrator, any current Valuation Date may be changed.

ARTICLE III – ELIGIBILITY AND PARTICIPATION

3.1 Eligibility to Participate.

Subject to Section 3.4, an Employee shall be eligible to participate actively in the Plan as of any payroll date if he or she is an ARC Eligible Employee under the Savings Plan and his or her Automatic Retirement Contributions for such payroll date under the Savings Plan are: (i) reduced by application of a limitation set forth in either Code section 401(a)(17) or 415; (ii) otherwise reduced as a result of the Employee's deferrals under the EID Program; or (iii) affected as described in both (i) and (ii).

3.2 Commencement of Participation.

An Eligible Employee shall become a Participant in this Plan as of the first payroll date an Equalized Automatic Retirement Contribution is allocated to his or her Account as provided in Section 5.1.

3.3 Termination of Participation.

An Employee who becomes a Participant under the Plan shall cease to be a Participant on the date his or her Account is fully distributed as provided in Article VI.

3.4 Agreements Not to Participate.

The eligibility provisions of this Article III will be subject to any other documents that constitute part of an agreement between the Company and an Employee that limits or bars the Employee's participation in this Plan. An agreement that is otherwise described in the preceding sentence shall not limit or bar an Employee's participation in this Plan for the period before the earliest date such agreement may apply without violating the restrictions on elections under Section 409A.

ARTICLE IV – CONTRIBUTIONS

4.1 Equalized Automatic Retirement Contributions.

Subject to Section 10.13, as of each payroll date for which an Employee is an Eligible Employee, the Employer shall make an Equalized Automatic Retirement Contribution to the ARC Equalization Account of such Eligible Employee. Subject to Section 4.2 below, the amount of each Equalized Automatic Retirement Contribution shall equal —

(a) The Eligible Employee's Total Automatic Retirement Contribution for such payroll date, reduced by

(b) The amount of the Automatic Retirement Contribution to which the Eligible Employee is entitled under the Savings Plan for the same payroll date.

An Eligible Employee's "Total Automatic Retirement Contribution" is determined in the same way the Eligible Employee's Automatic Retirement Contribution is required to be determined as of such payroll date under the Savings Plan, but with the following modifications: (i) the limitation on compensation imposed by Code section 401(a)(17), as otherwise applied by the terms of the Savings Plan, shall be disregarded, (ii) the limitation on annual additions imposed by Code section 415, as otherwise applied by the terms of the Savings Plan, shall be disregarded, and (iii) any exclusion, which is then in effect of amounts deferred by the Eligible Employee under the EID Program from his or her Eligible Pay under the Savings Plan shall be disregarded. The three modifications in the preceding sentence shall be applied so that they do not result in any duplication (e.g., the provisions of (iii) above shall not result in an amount of Total Automatic Retirement Contribution to the extent such amount is provided by (ii) above).

4.2 Maximum Equalized Automatic Retirement Contributions.

An Eligible Employee shall cease having Equalized Automatic Retirement Contributions made to his or her ARC Equalization Account during any Plan Year as necessary to ensure that the sum of his or her Equalized Automatic Retirement Contributions under this Plan and Automatic Retirement Contributions under the Savings Plan (collectively, the "Aggregate Employer Contributions") equal or do not exceed the Code section

401(a)(17) limit in effect for such Plan Year. An Eligible Employee's Equalized Automatic Retirement Contribution for a payroll date shall be reduced to comply with this Section by taking into account all Aggregate Employer Contributions, payable for all prior payroll dates in the Plan Year, and Automatic Retirement Contributions under the Savings Plan payable for the current payroll date.

4.3 Offsets.

Notwithstanding an Eligible Employee's rights under Section 4.1 (or a Participant's rights under Articles V and VI), the Company may reduce the amount of any payment or benefit that is or would become payable to or on behalf of an Eligible Employee or Participant by the amount of any obligation of the Eligible Employee or Participant to the Company that is or becomes due and payable, provided that (a) the obligation of the Eligible Employee or Participant to the Company was incurred during the employment relationship, (b) the reduction may not exceed the amount allowed under Section 409A and Treasury Regulation section 1.409A-3(j)(4)(xiii), and (c) 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 Employee or Participant. Consistent with this, appropriate reductions may be made in (i) the Equalized Automatic Retirement Contributions that otherwise would be provided to the Eligible Employee under Section 4.1, (ii) the balance in the Participant's Account under Article V, or (iii) the Participant's distributions under Article VI. The application of this Section 4.2 is solely in the independent discretion of the Company.

ARTICLE V - PARTICIPANT ACCOUNTS

5.1 Accounting for Participants' Interests.

Equalized Automatic Retirement Contributions shall be credited to a Participant's ARC Equalization Account at the same time that the Participant's Automatic Retirement Contributions under the Savings Plan are required to be allocated to the Participant's Profit-Sharing Account under the Savings Plan (or as soon as administratively practicable thereafter). A Participant's ARC Equalization Account is a bookkeeping device to track the notional value of the Participant's Equalized Automatic Retirement Contributions (and his or her Employer's liability therefor). No assets shall be reserved or segregated in connection with any ARC Equalization Account, and no ARC Equalization Account shall be funded, insured or otherwise secured.

5.2 Investment Earnings and Losses.

As of each Valuation Date, a Participant's ARC Equalization Account shall be credited with earnings and gains (and shall be debited for expenses and losses) determined as if the amounts credited to his or her ARC Equalization Account had actually been invested as directed by the Participant in accordance with this Article. The Plan provides only for "phantom investments," and therefore such earnings, gains, expenses and losses are hypothetical and not actual. However, they shall be applied to measure the value of a Participant's ARC Equalization Account and the amount of his or her Employer's liability to make deferred payments to or on behalf of the Participant.

5.3 Investment of Accounts.

(a) In General. A Participant's Equalized Automatic Retirement Contributions shall be invested on a phantom basis among the investment options that are available for Automatic Retirement Contributions under the Savings Plan from time to time, unless otherwise determined by the PIC. The PIC may discontinue any phantom investment option with respect to some or all Accounts, and it may provide rules for transferring a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another replacement option in accordance with procedures established by the Plan Administrator for this purpose).

(b) Investment and Reinvestment Elections. The Participant's Equalized Automatic Retirement Contribution for a payroll date shall be invested on a phantom basis in the investment options and in the proportions specified by the Participant in accordance with rules applied by the Plan Administrator. Such rules shall be based on those that apply for purposes of Automatic Retirement Contributions under the Savings Plan as of such payroll date, except as otherwise provided for by the Plan Administrator. To the extent a Participant does not specify an investment option for an Equalized Automatic Retirement Contribution, the rules for default investments that are in effect under the Savings Plan as of such payment date shall apply. In addition, a Participant shall have the same right to change the investment of the Participant's future Equalized Automatic Retirement Contributions and to reinvest the balance of his or her ARC Equalization Account as the Participant has for his or her Automatic Retirement Contributions and the account or subaccount that holds such contributions under the Savings Plan, except as otherwise provided for by the Plan Administrator.

(c) Phantom Investment Options. The Plan's phantom investment options shall be described in materials provided to Participants from time to time. Any of these phantom investment options shall be administered under procedures implemented from time to time by the Plan Administrator. Unless otherwise specified in these materials or procedures, in the case of any such phantom investment option that is based on a unitized fund, an amount deferred or transferred into such option is converted to phantom units in the applicable fund of equivalent value by dividing such amount by the NAV of a unit in such fund on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. Thereafter, a Participant's interest in each such phantom option is valued as of a

Valuation Date (or a Distribution Valuation Date) by multiplying the number of phantom units credited to his or her ARC Equalization Account on such date by the NAV of a unit in such fund on such date.

5.4 Vesting.

A Participant shall be fully vested in, and have a nonforfeitable right to, the Participant's ARC Equalization Account at the time the Participant becomes fully vested in his or her ARC Account under the Savings Plan. However, if a Participant's period of Service (as determined under the Savings Plan for purposes of vesting) 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 nonforfeitable right to his or her ARC Equalization Account by projecting the benefit the Participant would have if all such Service were taken into account under this Plan. Notwithstanding the foregoing, a Participant shall not vest later than the time (if any) applicable with respect to the Participant under Section 10.13.

5.5 Prohibited Misconduct.

(a) 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 Equalized Automatic Retirement Contributions and any net earnings or gains (whether paid previously, being paid currently or payable in the future), and his or her ARC Equalization Account shall be adjusted to reflect such forfeiture and previously paid Equalized Automatic Retirement Contributions and net earnings or gains shall be recovered.

(b) 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.

ARTICLE VI – PAYMENT OF BENEFITS

6.1 Distribution Rules Generally.

A Participant's ARC Equalization Account shall be distributed based upon first to occur of a Participant's Separation from Service or death, as provided in Sections 6.2 and 6.3, respectively. If a Participant becomes re-employed and entitled to another distribution after the occurrence of one of the foregoing distribution events, the rules of this Article shall apply separately to the balance in the Participant's ARC Equalization Account that relates to the later period of employment. In no event shall any portion of a Participant's ARC Equalization Account be distributed earlier or later than is allowed under Section 409A. All distributions shall be made in a single lump sum cash payment.

6.2 Distributions Upon Separation from Service.

If a Participant's ARC Equalization Account becomes distributable based upon his or her Separation from Service, such distribution shall be made in a single lump sum payment on the first day of the month that immediately follows the Participant's Distribution Valuation Date, subject to Section 6.4 below (Delay for Key Employees).

6.3 Distributions Upon Death.

(a) If a Participant's ARC Equalization Account becomes distributable based upon the Participant's death, such distribution shall be distributed in a single lump sum payment on the first day of the month that immediately follows the Participant's Distribution Valuation Date.

(b) Amounts paid following a Participant's death shall be paid to the Participant's Beneficiary; provided, however, that if no designation is in effect at the time of a Participant's death (as determined by the Plan Administrator), or if all persons designated as Beneficiaries have predeceased the Participant, then the payments to be made pursuant to this Section shall be distributed to the Participant's spouse, or if the Participant is not married at the time of his or her death, to his or her estate. The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where the Participant has his or her primary residence at the time of death. The Plan Administrator is authorized to make any applicable inquires and to request any documents, certificates or other information that it deems necessary or appropriate in order to make the above determinations.

(c) A Participant may designate (in a manner authorized by the Plan Administrator) one or more Beneficiaries to receive payment, in the event of his or her death, of the amounts credited to his or her ARC Equalization Account; provided that, to be effective, any Beneficiary designation must be in writing, signed by the Participant, and must meet such other standards (including any requirement for spousal consent) that the Plan Administrator or Recordkeeper shall require from time to time. The Beneficiary designation must also be filed with the Recordkeeper prior to the Participant's death, as determined by the Plan Administrator. An incomplete Beneficiary designation, as determined by the Recordkeeper or Plan Administrator, shall be void and of no effect. A Beneficiary designation of an individual by name remains in effect regardless of any change in the designated individual's relationship to the Participant. Any Beneficiary designation submitted to the Recordkeeper that only specifies a Beneficiary by relationship shall not be considered an effective Beneficiary designation and shall be void and of no effect. If more than one Beneficiary is specified and the Participant fails to indicate the respective percentage applicable to two or more Beneficiaries, then each Beneficiary for whom a percentage is not designated will be entitled to an equal share of the portion of the ARC Equalization Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her ARC Equalization Account in a writing that is signed by the Participant and filed with the Recordkeeper prior to the Participant's death, and that meets such other standards as the Plan Administrator shall require from time to time. An individual who is otherwise a Beneficiary with respect to a Participant's ARC Equalization Account ceases to be a Beneficiary when all payments have been made from the ARC Equalization Account.

(d) Any claim to be paid any amounts standing to the credit of a Participant in connection with the Participant's death must be received by the Plan Administrator at least 14 days before any such amount is actually distributed by the Plan. Any claim received thereafter is untimely, and it shall be unenforceable against the Plan, the Company, the Plan Administrator or any other party acting for one or more of them.

6.4 Delay for Key Employees.

(a) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then the time of payment based on Separation from Service shall be determined under the provisions of Section 6.2 as if the Distribution Valuation Date were the Valuation Date that is six months after the Distribution Valuation Date that would otherwise apply.

(b) Notwithstanding subsection (a) above, distribution in accordance with Section 6.3 or Section 6.4 shall be given priority over distribution in accordance with this Section if it would result in an earlier commencement date of the Participant's distribution.

6.5 Valuation.

In determining the amount of any individual distribution pursuant to this Article, the Participant's ARC Equalization Account shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Valuation Date that is used in determining the amount of the distribution under this Article.

6.6 Actual Payment Date.

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15th day of the third calendar month following such specified date. In no event shall the Participant (or Beneficiary) be permitted to designate the taxable year of the payment. The payment date may be delayed further in accordance with one or more applicable special rules under Section 409A that permit such later payment (for example, in the event of a bona fide dispute that meets the requirements of Treasury Regulation section 1.409A-3(g)).

ARTICLE VII – PLAN ADMINISTRATION

7.1 Plan Administrator.

The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder, as specified in the definition of Plan Administrator. Any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

7.2 Action.

Action by the Plan Administrator may be taken in accordance with procedures that the Plan Administrator adopts from time to time or that the Company's Law Department determines are legally permissible.

7.3 Powers of the Plan Administrator.

The Plan Administrator shall administer and manage the Plan and shall have (and shall be permitted to delegate) all powers necessary to accomplish that purpose, including the following:

(a) To exercise its discretionary authority to construe, interpret, and administer this Plan;

(b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;

(c) To compute and certify to the Employers the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;

(d) To authorize all disbursements by the Employer pursuant to this Plan;

(e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;

(f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;

(g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;

(h) To establish or to change the phantom investment options or arrangements under Article V;

(i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and

(j) Notwithstanding any other provision of this Plan except Section 7.6 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator deems is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the effective date of intra-fund transfers or the distribution date of Participant's Accounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (1) such discretion is not expressly granted by the Plan provisions in question, or (2) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

7.4 Compensation, Indemnity and Liability.

The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Employers. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Employers. No member of the PAC (which serves as the Plan Administrator) or PIC, and no individual acting as the delegate of the PAC or PIC, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Employers (other than the Company) will indemnify and hold harmless each member of the PAC and PIC and any employee of the Company (or a Company affiliate, if recognized as an affiliate for this purpose by the Plan Administrator) acting as the delegate of the PAC or PIC against any and all expenses and liabilities, including reasonable legal fees and expenses, arising in connection with this Plan out of his or her membership on the PAC or PIC (or his or her serving as the delegate of the PAC or PIC), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

7.5 Withholding.

The Employer shall withhold from amounts due under this Plan, any amount necessary to enable the Employer to remit to the appropriate government entity or entities on behalf of the Participant as may be required by the federal income tax provisions of the Code, by an applicable state's income tax provisions, and by an applicable city, county or municipality's earnings or income tax provisions. Further, the Employer shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security or Medicare taxes which may be required with respect to amounts deferred or accrued by a Participant hereunder, as determined by the Employer. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported on each Participant's Form W-2 for the applicable tax year, and any amounts that become taxable hereunder shall be reported as taxable wages on the Participant's Form W-2 for the applicable tax year. All such reporting and withholding shall be performed based on the rules and procedures of Section 409A.

ARTICLE VIII – CLAIMS PROCEDURE

8.1 Claims for Benefits.

If a Participant, Beneficiary or other person (hereafter, “Claimant”) does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, he or she may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator. If the claim for benefits is denied, the Plan Administrator will notify the Claimant within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.

8.2 Appeals of Denied Claims.

Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Plan Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Plan Administrator’s decision. However, if special circumstances require an extension of time for processing the appeal, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 60-day period and such extension may not exceed one additional, consecutive 60-day period. In no event shall the Plan Administrator’s decision be rendered later than 120 days after receipt of a request for appeal.

ARTICLE IX – AMENDMENT AND TERMINATION

9.1 Amendment to the Plan.

(a) The Company, or its delegate, has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner, including the terms and conditions of Equalized Automatic Retirement Contributions, the terms on which distributions are made, and the form and timing of distributions. However, except for mere clarifying amendments necessary to avoid an inappropriate windfall, no Plan amendment shall reduce the balance of a Participant's ARC Equalization Account as of the date such amendment is adopted. In addition, the Company shall have the limited right to amend the Plan at any time, retroactively or otherwise, in such respects and to such extent as may be necessary to fully qualify it under existing and applicable laws and regulations, and if and to the extent necessary to accomplish such purpose, may by such amendment decrease or otherwise affect benefits to which Participants may have already become entitled, notwithstanding any provision herein to the contrary.

(b) The Company's right to amend the Plan shall not be affected or limited in any way by a Participant's Separation from Service, death or disability. Prior practices by the Company or an Employer shall not diminish in any way the rights granted the Company under this Section. Also, it is expressly permissible for an amendment to affect less than all of the Participants covered by the Plan.

(c) Any amendment shall be in writing and adopted by the Company or by any officer of the Company who has authority or who has been granted or delegated the authority to amend this Plan. An amendment or restatement of this Plan shall not affect the validity or scope of any grant or delegation of such authority, which shall instead be solely determined based upon the terms of the grant or delegation (as determined under applicable law). All Participants and Beneficiaries shall be bound by such amendment.

(d) Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

9.2 Termination of Plan.

(a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State within the United States). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their Beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's ARC Equalization Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' ARC Equalization Accounts will be distributed.

(b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.1. In accordance with these restrictions, the Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a Change in Control (as defined 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 defined in Section 409A) as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution may be made in connection with any Change in Control with respect to deferrals made under this 409A Program.

ARTICLE X – MISCELLANEOUS

10.1 Limitation on Participant Rights.

Participation in this Plan does not give any Participant the right to be retained in the Employer's or Company's employ (or any right or interest in this Plan or any assets of the Company or Employer other than as herein provided). The Company and Employer reserve the right to terminate the employment of any Participant without any liability for any claim against the Company or Employer under this Plan, except for a claim for payment of benefits as provided herein.

10.2 Unfunded Obligation of Individual Employer.

The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Participant's individual Employer. Nothing contained in this Plan requires the Company or Employer to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Employer asset. This Plan creates only a contractual obligation on the part of a Participant's individual Employer, and the Participant has the status of a general unsecured creditor of his or her Employer with respect to benefits granted hereunder. Such a Participant shall not have any preference or priority over, the rights of any other unsecured general creditor of the Employer. No other Employer guarantees or shares such obligation, and no other Employer shall have any liability to the Participant or his or her Beneficiary. In the event a Participant transfers from the employment of one Employer to another, the former Employer shall transfer the liability for benefits made while the Participant was employed by that Employer to the new Employer (and the books of both Employers shall be adjusted appropriately).

10.3 Other Benefit Plans.

This Plan shall not affect the right of any Eligible Employee or Participant to participate in and receive benefits under and in accordance with the provisions of any other employee benefit plans which are now or hereafter maintained by any Employer, unless the terms of such other employee benefit plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax-favored treatment.

10.4 Receipt or Release.

Any payment to a Participant or Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Employer and the Company, and the Plan Administrator may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.5 Governing Law.

This Plan shall be construed, administered, and governed in all respects in accordance with ERISA and, to the extent not preempted by ERISA, in accordance with the laws of the State of New York. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.6 Adoption of Plan by Related Employers.

The Plan Administrator may select as an Employer any division of the Company, as well as any member of the PepsiCo Organization, and permit or cause such division or organization to adopt the Plan. The selection by the Plan Administrator shall govern the effective date of the adoption of the Plan by such related Employer. The requirements for Plan adoption are entirely within the discretion of the Plan Administrator and, in any case where the status of an entity as an Employer is at issue, the determination of the Plan Administrator shall be absolutely conclusive.

10.7 Rules of Construction.

The provisions of this Plan shall be construed according to the following rules:

(a) Gender and Number. Whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other (or others).

(b) 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 passage 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 limitation on its breadth of application).

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

(d) 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 provisions, is less complete or broad.

(e) Subdivisions of the Plan Document. This Plan document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and 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 numbers in parentheses. Subparagraphs are designated by lower-case roman numerals in parenthesis. Clauses are designated by upper-case letters 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 reading shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

(f) Invalid Provisions. 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.

10.8 Successors and Assigns; Nonalienation of Benefits.

This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the ARC Equalization Account of a Participant are not (except as provided in Sections 5.5) 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 any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company or any Employer. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the ARC Equalization Account of a Participant. Any such payment shall be charged against and reduce the Participant's ARC Equalization Account.

10.9 Facility of Payment.

Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Plan Administrator may direct the Employer to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.

10.10 Limitationson Actions.

Any claim filed under Article VIII and any action filed in state or federal court by or on behalf of a former or current Employee, Participant, Beneficiary or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits or for the alleged interference with or violation of ERISA-protected rights must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than the earliest of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action (ii) the date identified to the Petitioner by the Plan Administrator on which payments shall commence, or (iii) when the Petitioner has actual or constructive knowledge of the facts that are the basis of his claim. For purposes of this subsection, a cause of action with respect to the alleged interference with ERISA-protected rights shall be deemed to accrue when the claimant has actual or constructive knowledge of the acts that are alleged to interfere with ERISA-protected rights. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described in Section 8.2 shall have no effect on this two-year time frame.

10.11 Restrictionon Venue.

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner (as defined in Section 10.10 above) shall only be brought or filed in the United States District Court for the Southern District of New York.

10.12 Section 409A.

At all times during each Plan Year, this Plan shall be operated in accordance with the requirements of Section 409A. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

10.13 Section457A.

To avoid the application of Code section 457A ("Section 457A") to benefits under the Plan, the following shall apply to a Participant who transfers to a work location outside of the United States to provide services to a member of the PepsiCo Organization that is neither a United States corporation nor a pass-through entity that is wholly owned by a United States corporation ("Covered Transfer"):

(a) The Participant shall automatically vest in his or her ARC Equalization Account as of the last business day before the Covered Transfer;

(b) All Equalized Automatic Retirement Contributions relating to service from and after the Covered Transfer shall be allocated to the Participant's ARC Equalization Account solely on an annual basis as of the last day of the Plan Year to which they relate; and

(c) The Participant shall have no legal right to receive (and the Participant shall not receive) an allocation of Equalized Automatic Retirement Contributions for the Plan Year to the extent the allocation would constitute compensation that is includable in income under Section 457A.

Notwithstanding the foregoing, subsections (a) and (b) above shall not apply to a Participant who has a Covered Transfer if, prior to the Covered Transfer, the Company provides a written communication (either to the Participant individually, to a group of similar Participants, to Participants generally, or in any other way that causes the communication to apply to the Participant—*i.e*., an "applicable communication") that these subsections do not apply to the Covered Transfer in question. Subsection (b) shall cease to apply as of the earlier of — (i) the date the Participant returns to service for a member of the PepsiCo Organization that is a United States corporation or a pass-through entity that is wholly owned by a United States corporation, or (ii) the effective date for such cessation that is stated in an applicable communication.

ARTICLE XI – ERISA PLAN STRUCTURE

This Plan document encompasses two separate plans within the meaning of ERISA, as set forth in Sections 11.1 and 11.2 below. These two plans are severable for any and all purposes as directed by the Company.

11.1 Excess Benefit Plan.

An excess benefit plan within the meaning of ERISA section 3(36), maintained solely for the purpose of providing benefits for Savings Plan participants in excess of the limitations on benefits imposed by Code section 415.

11.2 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 ERISA sections 201(2) and 401(a)(1). The plan provides benefits for Savings Plan participants in excess of the limitations imposed by Code section 401(a)(17) on benefits under the Savings Plan (after taking into account any benefits under the Excess Benefit Plan).

11.3 Allocation of Benefits Among Plans.

Benefits under this Plan shall be allocated first to the Excess Benefit Plan, to the extent of benefits paid for the purpose indicated in Section 11.1 above, and then any remaining benefits shall be allocated to the Excess Compensation Top Hat Plan.

ARTICLE XII – SIGNATURE

This Plan is hereby adopted this 16th day of December, 2010, to be effective as of January 1, 2011.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President, Human Resources
Chief Personnel Officer

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Law Department

APPENDIX A – MERGER OF PGB SUPPLEMENTAL SAVINGS PLAN

A.1 Scope.

This Article sets forth special provisions applicable to amounts earned under the PBG Supplemental Savings Plan ("PBG Plan") prior to the merger of that plan with and into this Plan. Amounts earned under the PBG Plan prior to the merger shall be credited to a subaccount of the Participant's ARC Equalization Account ("PBG Plan Subaccount"). All other defined terms used herein shall have the meaning assigned to such term under Article II unless otherwise indicated.

A.2 Provisions Applicable to Amounts Earned Under PBG Plan.

Except as otherwise set forth in this Section A.2, the terms and conditions applicable to a Participant's PBG Plan Subaccount are governed by the prior document for the PBG Plan.

(a) Investment Mapping. A Participant's PBG Plan Subaccount shall be mapped to the phantom investment options that are available for Equalized Automatic Retirement Contributions under Article V of this Plan according to the same mapping method that will apply for purposes of transferring the Participants' account balance under the PBG Savings Plan to the investment options available under the Savings Plan, except as otherwise provided by the Plan Administrator. Once the Participant's PBG Plan Subaccount balance has been mapped as provided in the preceding sentence, the PBG Plan Subaccount shall be subject to the investment provisions set forth in Article V.

(b) Phantom PepsiCo Common Stock Fund. Notwithstanding subsection (a) above, the portion of a Participant's PBG Plan Subaccount that is invested in the phantom PepsiCo Common Stock Fund shall not be subject to mapping, but instead shall remain invested in the phantom PepsiCo Common Stock Fund until such time as the Participant makes a reinvestment election. Thereafter, such portion of the Participant's PBG Plan Subaccount shall remain eligible for investment and reinvestment in the phantom PepsiCo Common Stock Fund (notwithstanding any restrictions on investment in the phantom PepsiCo Common Stock Fund that may apply generally under Article V) in accordance with procedures established by the Plan Administrator for this purpose.

(c) Time and Form of Payment. A Participant's PBG Plan Subaccount shall be paid on the first day of the calendar month following the Distribution Valuation Date that next follows the earliest of the following:

(1) The Participant's Separation from Service;

(2) The Participant's death; or

(3) A change in control of the Participant's Employer (other than the successor to the Pepsi Bottling Group, Inc.), as defined in Section 409A.

Distributions upon Separation from Service under this subsection shall be subject to Section 6.5 (Delay for Key Employees), except that no priority shall be given to Section 6.4.

(d) Phantom PepsiCo Common Stock Fund Restrictions. To the extent necessary to ensure compliance with Rule 16b-3(f) of the Securities Exchange Act of 1934 (the "Act"), the Company may arrange for tracking of any such transaction defined in Rule 16b-3(b)(l) of the Act involving the phantom PepsiCo Common Stock Fund and the Company may bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company will impose blackout periods pursuant to the requirements of the Sarbanes-Oxley Act of 2002 whenever the Company determines that circumstances warrant. Further, the Company may impose quarterly blackout periods on insider trading in the Phantom PepsiCo Common Stock Fund as need (as determined by the Company), timed to coincide with the release of the Company's quarterly earnings reports. The commencement and termination of these blackout periods in each quarter, the parties to which they apply and the activities they restrict shall be as set forth in the official insider trading policy promulgated by the Company from time to time.

(e) Impact, of Securities Law on Distributions. The provisions of (d) above and this subparagraph (e), shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under Article VI of the Plan.

(i) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Act. Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e) of the Act, if it were approved by the Company's Board of Directors or the Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Compensation Committee, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(ii) Approval of Distributions. This subsection shall govern the distribution of a deferral that (i) is wholly or partly invested in the Phantom PepsiCo Common Stock Fund at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (ii) was not covered by an agreement, made at the time of the Participant's original phantom investment election, that any investments in the phantom PepsiCo Common Stock Fund would, once made, remain in that fund until distribution, (iii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the phantom PepsiCo Common Stock Fund would be liquidated in connection with the distribution, and (iv) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in the phantom PepsiCo Common Stock

Fund (either as a “discretionary transaction,” within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a “Covered Distribution”). In the case of a Covered Distribution, if the liquidation of the Participant’s interest in the phantom PepsiCo Common Stock Fund in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant’s interest in the phantom PepsiCo Common Stock Fund in connection with the distribution, and

(2) The date the distribution would no longer violate Section 16 of the Act, *e.g.*, when the Participant is no longer subject to Section 16 of the Act, when the balance related to the distribution is no longer invested in the phantom PepsiCo Common Stock Fund, or when the time between the liquidation and an opposite way transaction is sufficient.

Exhibit 10.71

**DECEMBER 2011 AMENDMENT TO THE
PEPSICO PENSION EQUALIZATION PLAN
AND THE PBG PENSION EQUALIZATION PLAN**

The PepsiCo Pension Equalization Plan (“PepsiCo PEP”) and the PBG Pension Equalization Plan (“PBG PEP”) are amended as set forth below, effective as of January 1, 2011 except as otherwise indicated below.

I.

Effective as of the end of the day on December 31, 2011, the PBG PEP is hereby merged with and into the PepsiCo PEP, with the PepsiCo PEP as the surviving plan after the merger.

The April 1, 2009 Restatement of the PBG PEP, as amended through January 1, 2011 (“409A PBG PEP Document”) shall be attached as Appendix Article PBG 409A to the PepsiCo PEP document for the 409A Program (“409A PepsiCo PEP Document”) and shall continue to govern PBG PEP benefits that were subject to the 409A PBG PEP Document prior to the plan merger, except as follows:

(i) Articles VII (Administration), VIII (Miscellaneous) and IX (Amendment and Termination) of the 409A PBG PEP Document shall be deleted, and

(ii) Articles VII (Administration), VIII (Miscellaneous) and IX (Amendment and Termination), X (ERISA Plan Structure) and XI (Applicable Law) of the 409A PepsiCo PEP Document shall apply to PBG PEP benefits governed by the 409A PBG PEP Document.

There shall be no change to the time or form of payment of benefits that are subject to Internal Revenue Code Section 409A (“Section 409A”) under either the PepsiCo PEP or PBG PEP Document as a result of the merger or the foregoing revisions to the 409A PepsiCo PEP Document and 409A PBG PEP Document.

The PBG PEP document that was in effect on October 3, 2004 as amended through January 1, 2011 ("Pre-409A PBG PEP Document") shall be attached as Appendix Article PBG Pre-409A to the PepsiCo PEP document for the Pre-409A Program ("Pre-409A PepsiCo PEP Document") and shall continue to govern PBG PEP benefits that were grandfathered under Section 409A and subject to the Pre-409A PBG PEP Document prior to the plan merger, except as follows:

(iii) Articles VII (Administration), VIII (Miscellaneous), IX (Amendment and Termination), X (ERISA Plan Structure) and XI (Applicable Law) of the Pre-409A PBG PEP Document shall be deleted, and

(iv) Articles VII (Administration), VIII (Miscellaneous) and IX (Amendment and Termination), X (ERISA Plan Structure) and XI (Applicable Law) of the Pre-409A PepsiCo PEP Document shall apply to PBG PEP benefits governed by the Pre-409A PBG PEP Document.

There shall be no change to the time or form of payment of benefits that are subject to Section 409A under either the PepsiCo PEP or PBG PEP that would constitute a material modification within the meaning of Treas. Reg. § 1.409A-6(a)(4) as a result of the merger or the foregoing revisions to the Pre-409A PepsiCo PEP Document and Pre-409A PBG PEP Document.

II.

In Article I of the 409A PepsiCo PEP Document, the second sentence of the third paragraph is amended to read as follows:

"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 or materially modified within the meaning of Treas. Reg. § 1.409A-6(a)(4) (the "409A Program")."

III.

Effective as of January 1, 2009, Section 5.4 of the 409A PepsiCo PEP Document is amended by adding a new subsection (c) at the end thereof to read as follows:

(c) No Benefit Offsets That Would Violate Section 409A. If a Participant has earned a benefit under a plan maintained by a member of the PepsiCo Organization that is a "qualifying plan" for purposes of the "Transfers and Non-Duplication" rule in Section 3.6 of the Salaried Plan, such Transfers and Non-Duplication rule shall apply when calculating the Participant's Total Pension under Section 5.1 (c)(1) above only to the extent the application of such rule to the Participant's 409A Pension will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is PepsiCo's intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

IV.

The 409A PepsiCo PEP Document is hereby amended by adding the following new Appendix Article D at the end thereof, effective as of January 1, 2011.

APPENDIX ARTICLE D

U.K. Supplementary Appendix Participants'with U.S. Service

D.l Scope:

This Article applies to "Covered U.K. Employees" as defined in Section D.2 below. The benefit of a Covered U.K. Employee shall be determined as provided in Section D.3

below. Once a benefit is determined for a Covered U.K. Employee under this Article, it shall be paid in accordance with the Plan's normal terms regarding the time and form of payment. All benefits payable under this Article are subject to Code section 409A. This Article is effective January 1, 2011.

D.2 <u>"Covered U.K. Employee" Defined</u>:

A "Covered U.K. Employee" is a participant in the PepsiCo U.K. Pension Plan ("U.K. Participant") who—(i) becomes subject to United States income taxes, *e.g.*, by transferring to a position with the Company in the United States or otherwise (hereinafter referenced as "Engages in U.S. Service"), (ii) continues to accrue benefits under the PepsiCo U.K. Pension Plan after he Engages in U.S. Service, and (iii) would have also accrued a benefit under the U.K. Supplementary Pension Appendix for such period following when he Engages in U.S. Service (except for the unavailability of accruals under such Appendix for the period a U.K. Participant Engages in U.S. Service). The period that a U.K. Participant Engages in U.S. Service shall begin on the first day that he becomes subject to United States income taxes (his "U.S. Commencement Date"), and it shall end on the last day that he is subject to U.S. income taxes or, if earlier, the date his Plan benefits under this Article D commence (his "U.S. Cessation Date").

D.3 <u>Benefit for Covered U.K. Employees</u>:

A Covered U.K. Employee's benefit under the Plan shall be determined by calculating, as of his U.S. Cessation Date, his "Total U.K. Supplementary Benefit" and then subtracting from this amount his "Frozen U.K. Supplementary Benefit." For this purpose, a Covered U.K. Employee's—

(a) “Total U.K. Supplementary Benefit” is equal to the total benefit that he would have under the terms of the U.K. Supplementary Pension Appendix, calculated based on all service and compensation with the Company through his U.S. Cessation Date that is counted in the calculation of his benefit under the PepsiCo U.K. Pension Plan (or that would be counted but for a limitation applicable to the plan under U.K. law), and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article D commence, and

(b) “Frozen U.K. Supplementary Benefit” is equal to the total benefit that he had under the terms of the U.K. Supplementary Pension Appendix as of immediately before his U.S. Commencement Date, and with such total benefit expressed in the form of a single lump sum that is payable as of the date his benefits under this Article D commence.

The calculation provided for in the preceding sentence shall be made in accordance with the operating rules set forth in Section D.4 below.

D.4 <u>Operating Rules:</u>

The following operating rules apply to the calculation in Section D.3. above.

(a) In general, accruals under PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee’s U.S. Cessation Date shall not reduce the benefit under this Article D determined under Section D.3. Notwithstanding the prior sentence and anything in Section D.3 to the contrary, to the extent a Covered U.K. Employee’s accruals under the PepsiCo U.K. Pension Plan for the period after a Covered U.K. Employee’s U.S. Cessation Date have more than fully offset the Covered U.K. Employee’s accruals under the U.K. Supplementary Pension Appendix (and the excess would have been offset against the benefit under this Article D had such benefit accrued under the U.K. Supplementary Appendix), then any such excess as of the date benefits under this Article D commence (expressed as a lump sum as of such date) shall be offset against the benefits under this Article D to the extent such offset would not violate Code Section 409A.

(b) In determining the value of a lump sum under this Article D, the actuarial assumptions that are used shall be actuarial assumptions that comply with Section 417(e) of the Code and, specifically, are the assumptions that would be used under the PepsiCo Salaried Employees Retirement Plan to pay a retirement lump sum as of the date applicable that the lump sum in question is to be determined under this Article D.

(c) A Covered U.K. Employee's Frozen U.K. Supplementary Benefit shall be determined on the basis of assuming that the Covered U.K. employee voluntarily terminated employment and any other service relationship with the PepsiCo Organization as of immediately before his U.S. Commencement Date.

(d) This subsection applies if the terms of the PepsiCo U.K. Pension Plan or the U.K. Supplementary Pension Appendix are amended during a year in a way that would change the results under the Section D.3 calculation, and such amendment otherwise applies earlier than the immediately following year. In this case, to the extent that doing is necessary to comply with Code Section 409A, the calculation in Section D.3 shall be made by delaying the application of the amendment so that it is prospectively effective starting with the immediately following year.

(e) In the event a Covered U.K. Employee (i) has earned a benefit under this Article D, (2) has reached his U.S. Cessation Date, and (iii) then again Engages in U.S. Service, the foregoing terms shall be applied again to determine if he earns a benefit for the new period that he Engages in U.S. Service, except that any resulting benefit from this new period shall be reduced by the lump sum value of any prior benefit under this Article D (as necessary to completely avoid any duplication of benefits).

D.5 No Other Benefits:

A Covered U.K. Employee shall not be entitled to any other benefits under this Plan or the Salaried Plan for so long as he remains a Covered U.K. Employee.

V.

The definition of "Plan" in Section 2.1 of Appendix Article PBG 409A is amended to read as follows:

(m) Plan. Effective January 1, 2012, Appendix Article PBG 409A of the PepsiCo Pension Equalization Plan, as set forth herein, and as amended from time to time. Prior to January 1,2012, the PBG Pension Equalization Plan, as amended from time to time. In these documents, the Plan is also sometimes referred to as PEP. For periods before April 6, 1999, references to the Plan refer to the PepsiCo Prior Plan.

VI.

Section 4.3 of Appendix Article PBG 409A is amended by adding a new subsection (c) at the end thereof to read as follows (an identical amendment is added to the PBG 409A PEP Document effective as of January 1, 2009):

(c) No Benefit Offsets That Would Violate Section 409A. If a Participant has earned a benefit under a plan maintained by a member of the PepsiCo/PBG Organization that is a "qualifying plan" for purposes of the "Transfers and Non-

Duplication” rule in Section 3.6 of the Salaried Plan, such Transfers and Non-Duplication rule shall apply when calculating the amount determined under Section 4.1(a)(1) or 4.1(b)(1) above (as applicable) only to the extent the application of such rule will not result in a change in the time or form of payment of such pension that is prohibited by Section 409A. For purposes of the limit on offsets in the preceding sentence, it is PepsiCo’s intent to undertake to make special arrangements with respect to the payment of the benefit under the qualifying plan that are legally permissible under the qualifying plan, and compliant with Section 409A, in order to avoid such a change in time or form of payment to the maximum extent possible; to the extent that Section 409A compliant special arrangements are timely put into effect in a particular situation, the limit on offsets in the prior sentence will not apply.

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PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources
Chief Personnel Officer
Date: December 20, 2011

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department
Date: December 6, 2011

EXHIBIT 12

PEPSICO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges [(a)]
Years Ended December 31, 2011, December 25, 2010, December 26, 2009,
December 27, 2008 and December 29, 2007
(in millions except ratio amounts)

	2011	2010	2009	2008	2007
Earnings:					
Income before income taxes	**$8,834**	$8,232	$8,079	$7,045	$7,643
Unconsolidated affiliates interests, net	**(30)**	72	(301)	(189)	(370)
Amortization of capitalized interest	**3**	3	4	4	5
Interest expense	**856**	903	397	329	224
Interest portion of net rent expense [(b)]	**196**	175	137	119	101
Earnings available for fixed charges	**$9,859**	$9,385	$8,316	$7,308	$7,603
Fixed Charges:					
Interest expense	**$ 856**	$ 903	$ 397	$ 329	$ 224
Capitalized interest	**10**	6	3	14	21
Interest portion of net rent expense [(b)]	**196**	175	137	119	101
Total fixed charges	**$1,062**	$1,084	$ 537	$ 462	$ 346
Ratio of Earnings to Fixed Charges	**9.29**	8.65	15.48	15.82	22.01

(a) Based on unrounded amounts.
(b) One-third of net rent expense is the portion deemed representative of the interest factor.

EXHIBIT 21

PEPSICO, INC. SUBSIDIARIES

NAME OF ENTITY	JURISDICTION
Abechuko Inversiones, S.L.	Spain
Ahmedabad Advertising & Marketing	India
Consultants Company Private	Netherlands
Limited Aldona Holding B.V.	
Alegro Internacional, S. de R. L. de C.V.	Mexico
Alikate Inversiones, S.L.	Spain
Alimentos del Istmo S. A.	Panama
Alimentos Quaker Oats y Compania Limitada	Guatemala
Alimesa S.A.	Argentina
Amavale Agricola Ltda.	Brazil
Amcor Rigid Plastics Atlantic Inc.	Canada
Anderson Hill Insurance Limited	Bermuda
Aquafina Inversiones, S.L.	Spain
Aradhana Convenience Foods Private Limited	India
Aradhana Drinks and Beverages Private Limited	India
Aradhana Foods and Juices Private Limited	India
Aradhana Snack Food Company Private Limited	India
Aradhana Soft Drinks Company	India
Ardea Beverage Company	United States, Delaware
Balwerk VI - Consultadoria Economica e Participacoes Sociedade Unipessoal, Lta.	Portugal
Beaman Bottling Company	United States, Delaware
Bebidas Purificadas de Occidente, S.A. de C.V.	Mexico
Bebidas Purificadas del Centro, S.A. de C.V.	Mexico
Bebidas Purificadas S.R.L.	Mexico
Beech Limited	Cayman Islands
Beijing Pepsi-Cola Beverage Company Limited	China
Beimiguel Inversiones, S.L.	Spain
Bell Taco Funding Syndicate	Australia
Bendler Investments S.a r.l.	Luxembourg
Bermuda Holdings, LLC	United States, Delaware
Beverage Service Limited	Bermuda
Beverage Services, Inc.	United States, Delaware
Beverages, Foods & Service Industries, Inc.	United States, Delaware
Bienes Raices Metropolitanos, S.R.L. de C.V.	Mexico
Blaue NC, S. de R. L. de C.V.	Mexico
Bluebird Foods Limited	New Zealand
Boquitas Fiestas LLC	United States, Delaware
Boquitas Fiestas S.R.L.	Honduras
Border Properties, Inc.	United States, New York
Bosso Holdings, LLC	United States, Delaware

NAME OF ENTITY	JURISDICTION
Bottling Group Espana, S.L.	Spain
Bottling Group Financing, LLC	United States, Delaware
Bottling Group Holdings, Inc.	United States, Delaware
Bottling Group Servicios Centrales SL	Spain
Bottling Group, LLC	United States, Delaware
Bottling Investment Chile	Bahamas
Brading Holding S.a.r.l.	Luxembourg
Bramshaw	Ireland
BUG de Mexico, S.A. de C.V.	Mexico
C & I Leasing, Inc.	United States, Maryland
Calbee, Inc.	Japan
Cane Investments S.a. r.l.	Luxembourg
Canguro Rojo Inversiones, S.L.	Spain
Capital Services Associates	Curacao
Caribbean Flavors, LLC	United States, Delaware
Caroni Investments, LLC	United States, Delaware
Catalana de Bebidas Carbonicas, S.L.	Spain
CEME Holdings, LLC	United States, Delaware
Central American Bottling Corporation	British Virgin Islands
Central K, Inc.	United States, Florida
Centro-Levantina de Bebidas Carbonicas PepsiCo S.L.	Spain
Centro-Mediterreanea de Bebidas Carbonicas PepsiCo S.L.	Spain
Changchun Pepsi-Cola Beverage Company Limited	China
Changsha Pepsi-Cola Beverage Company Limited	China
Chengdu PepsiCo 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 for Food Industries S.A.E.	Egypt
Chitos International y Cia Ltd.	Guatemala
Chongqing Pepsi Tianfu Beverage Company Limited	China
Cipa Industria de Produtos Alimentares Ltda.	Brazil
Cipa Nordeste Industria de Produtos Alimentares Ltda.	Brazil
CMC Investment Company	Bermuda
Comercializadora Nacional SAS, Ltda.	Colombia
Comercializadora PepsiCo Mexico, S. de R.L. de C.V.	Mexico
Comercializadora Snacks SAS, Ltda.	Venezuela
Compania de Bebidas PepsiCo, S.L.	Spain
Concentrate Manufacturing (Singapore) Pte. Ltd.	Singapore
Confiteria Alegro, S. de R.L. de C.V.	Mexico
Copella Fruit Juices Limited	United Kingdom
Copper Beech International, LLC	United States, Delaware
Corina Snacks Limited	Cyprus
Corporativo Internacional Mexicano, S. de R.L. de C.V.	Mexico

NAME OF ENTITY	JURISDICTION
Cove Development Corporation	United States, Delaware
Dark Green Australia Pty Limited	Australia
Davlyn Realty Corporation	United States, Delaware
Defosto Holdings Limited	Cyprus
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.	Mexico
Dilexis C.A.	Argentina
Distribuidora Savoy Guatemala S.A.	Guatemala
Donon Holdings Limited	Cyprus
Doritos Australia One Pty Limited	Australia
Doritos Australia Two Pty Limited	Australia
Dorset Properties Limited	Cyprus
Doughter Company Wimm-Bill-Dann	Russia
Duingras Holdings B.V.	Netherlands
Duo Juice Company	United States, Delaware
Duo Juice Company BV	Netherlands
Duyvis Production B.V.	Netherlands
Egmont Holdings Luxembourg S.a. r.l.	Luxembourg
Elaboradora Argentina de Cereales, S.R.L.	Argentina
Encorp Atlantic, Inc.	Canada
Enfolg Inversiones, S.L.	Spain
Environ of Inverrary, Inc.	United States, Florida
Equipos Y Deportes Exclusivos, S.A. de C.V.	Mexico
Eridanus Investments S.a.r.L.	Luxembourg
Essentuksky plant of mineral waters on KMV	Russia
Euro Juice G.m.b.H. Import and Vertrieb	Germany
Fabrica de Productos Alimentocios Rene y Compania SCA	Guatemala
Fabrica de Productos Rene LLC	United States, Delaware
Fabrica PepsiCo Mexicale, S. de R.L. de C.V.	Mexico
Far East Bottlers (Hong Kong) Limited	Hong Kong
Farm Produce Proprietary Limited	Australia
Fester Industria Alimenticia Ltda.	Brazil
FL Transportation, Inc.	United States, Delaware
FLI Andean, LLC	United States, Delaware
FLI Colombia, LLC	United States, Delaware
FLI Snacks Andean GP, LLC	United States, Delaware
FLLC PepsiCo Products	Belarus
FLRC, Inc.	United States, California
Forest Akers Nederland B.V.	Netherlands
Fovarosi Asvanyviz es Uditoipari Zartkoruen Mukodo Reszvenytarsasag	Hungary
Frito Lay de Guatemala, Sociedad de Responsabilidad Limitada	Guatemala
Frito Lay Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey
Frito Lay Sp. Zo.o.	Poland

NAME OF ENTITY	JURISDICTION
Frito-Lay (Hungary) Trading and Manufacturing Limited Liability Company	Hungary
Frito-Lay Australia Holdings Pty Limited	Australia
Frito-Lay de Venezuela, C.A.	Venezuela
Frito-Lay Dip Company, Inc.	United States, Delaware
Frito-Lay Dominicana S.A.	Dominican Republic
Frito-Lay Global Investments B.V.	Netherlands
Frito-Lay Investments B.V.	Netherlands
Frito-Lay Netherlands Holding B.V.	Netherlands
Frito-Lay North America, Inc.	United States, Delaware
Frito-Lay Poland Sp.z.o.o.	Poland
Frito-Lay RFLS Holdings, Inc.	United States, Delaware
Frito-Lay Sales, Inc.	United States, Delaware
Frito-Lay Trading Company (Europe) GmbH	Switzerland
Frito-Lay Trading Company (Poland) GmbH	Switzerland
Frito-Lay Trading Company GmbH	Switzerland
Frito-Lay Trinidad Unlimited	Trinidad and Tobago
Frito-Lay, Inc.	United States, Delaware
Froooties Limited	United Kingdom
Fruko Mesrubat Sanayi, Ltd. Sti.	Turkey
Fundacion Frito Lay de Guatemala	Guatemala
Fundacion Gamesa Quaker, A.C.	Mexico
Fundacion PepsiCo de Argentina	Argentina
Fundacion Sabritas, A.C.	Mexico
Fuzhou Pepsi-Cola Beverage Company Limited	China
Gambrinus Investments Limited	Cayman Islands
Gamesa LLC	United States, Delaware
Gamesa, S. de R.L. de C.V.	Mexico
Gas Natural de Merida, S.A. de C.V.	Mexico
Gatika Inversiones, S.L.	Spain
Gatorade Limited	United Kingdom
Gatorade Puerto Rico Company	United States, Delaware
GB Czech LLC	United States, Delaware
GB International, Inc.	United States, Delaware
GB Russia LLC	United States, Delaware
GB Slovak LLC	United States, Delaware
Genadco Advertising Agency, Inc.	United States, Illinois
General Bottlers of Hungary, Inc.	United States, Delaware
Geusa S.A. de C.V.	Mexico
Giesebrechts Limited	Canada
Global PepsiCo Luxembourg Holdings S.a.r.l.	Luxembourg
Globe Transport, Inc.	United States, Delaware
Golden Grain Company	United States, California
Grande-W Co. Ltd.	Russia
Grayhawk Leasing, LLC	United States, Delaware

NAME OF ENTITY	JURISDICTION
Green Hemlock International, LLC	United States, Delaware
Greip Inversiones, S.L.	Spain
Grupo Frito Lay Compania Limitada	Guatemala
Grupo Gamesa, S. de R.L. de C.V.	Mexico
Grupo Gepp, S.A.P.I. de C.V.	Mexico
Grupo Sabritas, S. de R.L. de C.V.	Mexico
Guangzhou Pepsi-Cola Beverage Company Limited	China
Gulkevichskly Maslozavod	Russia
Hangzhou Pepsi-Cola Beverage Company Limited	China
Harbin Pepsi-Cola Beverages Company Limited	China
Harinera Monterrey, S.A. de C.V.	Mexico
Heathland, LP	United States, Delaware
Helioscope Limited	Cyprus
Hillbrook, Inc.	United States, Vermont
Hillwood Bottling, LLC	United States, Delaware
Holding Company Opolye	Russia
Holland Snacks S.A. de C. V.	Mexico
Homefinding Company of Texas	United States, Texas
IC Equities, Inc.	United States, Delaware
Icaria Invest S.a.r.l.	Luxembourg
IDJ Bahrain Holding Company W.L.L.	Bahrain
Illinois Center Corporation	United States, Delaware
Importadora PepsiCo Agroindustrial, S.C.A.	Venezuela
Importadora PepsiCo Alimentos, S.C.A.	Venezuela
Importadora PepsiCo Frito-Lay, S.C.A.	Venezuela
Importadora PepsiCo Quaker, S.C.A.	Venezuela
Inmobillaria Interamericana S.A. de C.V.	Mexico
Integrated Beverage Services (Bangladesh) Limited	Bangladesh
International Bottlers Almaty Ltd.	Kazakhstan
International Company for Agro Industrial Projects (Beyti) SAE	Egypt
International Dairy & Juice (Dubai) Limited	United Arab Emirates
International Dairy & Juice Limited	Bermuda
International KAS Aktiengesellschaft	Liechtenstein
International Refreshments Co. Ltd.	Saudi Arabia
Inversiones Borneo S.R.L.	Peru
Inversiones PFI Chile Limitada	Chile
Inversiones Santa Coloma S.A. (Venezuela)	Venezuela
IZZE Beverage Co.	United States, Delaware
Jatabe Inversiones, S.L.	Spain
Jinan Pepsi-Cola Beverage Company Limited	China
Jordan Ice & Aerated Water Ltd.	Jordan
Jugodesalud Inversiones, S.L.	Spain
Jungla Mar del Sur	Costa Rica
Karinto S.R.L.	Peru

NAME OF ENTITY	JURISDICTION
KAS Anorthosis S.C.A.	Luxembourg
KAS, S.L.	Spain
Kinsale Finance Company	United States, Delaware
Kirin-Tropicana, Inc.	Japan
KRJ Holdings, S. de R.L. de C.V.	Mexico
Kunming Pepsi-Cola Beverage Company Limited	China
Lacenix Cia. Ltda.	Ecuador
Lanzhou Pepsi Cola Beverage Company Limited	China
Large Investments S.a.r.l.	Luxembourg
Larragana Holdings 1, LLC	United States, Delaware
Larragana Holdings 2, LLC	United States, Delaware
Larragana Holdings 3, LLC	United States, Delaware
Larragana Holdings 4, LLC	United States, Delaware
Larragana Holdings 5, LLC	United States, Delaware
Larragana Holdings 6, LLC	United States, Delaware
Larragana Holdings 7, LLC	United States, Delaware
Larragana, S.L.	Spain
Latin America Holdings Ltd.	Cayman Islands
Latin America Snack Foods, ApS	Denmark
Latin Foods International, LLC	United States, Delaware
Latvian Snacks SIA	Latvia
Lebedyansky Experimental Cannery OJSC	Russia
Lehar Foods Private Limited	India
Linkbay Limited	Cyprus
Lithuania Snacks Ltd.	Lithuania
LLC “Atamanskoe”	Russia
LLC “Frito-Lay Manufacturing”	Russia
LLC “Lebedyansky Holdings”	Russia
LLC “PepsiCo Foods Ukraine”	Ukraine
LLC “PepsiCo Holdings”	Russia
LLC “Sandora”	Ukraine
Lorencito Inversiones, S.L.	Spain
Lotta Good, LLC	United States, Delaware
Luxembourg SCS Holdings, LLC	United States, Delaware
Mabel Alimentos S.A.	Brazil
Maizoro, S. de R.L. de C.V.	Mexico
Malpensa - Consultadoria e Servicos, LDA	Portugal
Management Holdings (Thailand) Co., Ltd.	Thailand
Manurga Inversiones, S.L.	Spain
Marbo d.o.o. Laktasi	Bosnia
Marbo Product d.o.o. Beograd	Serbia
Marbo Produkt d.o.o.	Croatia
Matudis - Comercio de Produtos Alimentares, Limitada	Portugal
Matutano-Sociedade de Productos Alimentares, Unipessoal, Ltd.	Portugal

NAME OF ENTITY	JURISDICTION
MFL Group LLC	United States, Oregon
Mid-America Improvement Corporation	United States, Illinois
Miglioni Inversiones, S.L.	Spain
Mountain Dew Inversiones, S.L.	Spain
Mountainview Insurance Company, Inc.	United States, Vermont
Nadamas Inversiones, S.L.	Spain
Naked Juice Co.	United States, Delaware
Naked Juice Co. of Glendora, Inc.	United States, California
Nanjing Pepsi-Cola Beverage Company Limited	China
Natural Products Ventures, LLC	United States, Delaware
NCJV, Inc.	United States, Delaware
New Bern Transport Corporation	United States, Delaware
New Century Beverage Company	United States, California
New Generation Beverages Pty Limited	Australia
Niva	Russia
Noble Leasing LLC	United States, Delaware
North America Coffee Partnership	United States
Nourishco Beverages Limited	India
Onbiso Inversiones, S.L.	Spain
P.B.I. Fruit Juice Company BVBA	Belgium
P.T. Pepsi-Cola IndoBeverage	Indonesia
P-A Barbados Bottling Company, LLC	United States, Delaware
P-A Bottlers (Barbados) SRL	Barbados
P-Americas, LLC	United States, Delaware
Panafota Holdings	Ireland
Panagarh Marketing Private Limited	India
Papas Chips	Uruguay
PAS Beverages Ltd.	Bermuda
PAS International Ltd.	Bermuda
PAS Luxembourg S.A R.L.	Luxembourg
PAS Netherlands B.V.	Netherlands
PAS Snacks Ltd.	Bermuda
Pasteleria La Vienesa, C.A.	Venezuela
PBC Co. of Bend	Oregon
PBG Beverages International Limited	Ireland
PBG Beverages Ireland Limited	Ireland
PBG Canada Holdings II, Inc.	United States, Delaware
PBG Canada Holdings, Inc.	United States, Delaware
PBG Cyprus Holdings Limited	Cyprus
PBG Horizon, LLC	United States, Delaware
PBG International Holdings Luxembourg Jayhawk SCS	Luxembourg
PBG International Holdings Partnership	Bermuda
PBG Investment (Luxembourg) S.a r.l.	Luxembourg
PBG Investment Partnership	Canada
PBG Midwest Holdings S.a r.l.	Luxembourg

NAME OF ENTITY	JURISDICTION
PBG Mohegan Holdings Limited	Gibraltar
PBG Soda Can Holdings S.a r.l.	Luxembourg
PCBL, LLC	United States, Delaware
PCGB (BVI) Limited British	Virgin Islands
PCGB Poland Sp. Z.o.o.	Poland
PCNA Manufacturing, Inc.	United States, Delaware
PCTI Puerto Rico, Inc.	Puerto Rico
PEI e Companhia	Portugal
PEI, N.V.	Curacao
Pep Trade LLC	Egypt
Pepsi B.V.	Netherlands
Pepsi Bend LLC	United States, Oregon
Pepsi Beverage (Nanchang) Company Limited	China
Pepsi Bottling Group Cardinals Cooperatie U.A.	Netherlands
Pepsi Bottling Group Global Finance LLC	United States, Delaware
Pepsi Bottling Group GmbH	Germany
Pepsi Bottling Group Hoosiers B.V.	Netherlands
Pepsi Bottling Holdings, Inc.	United States, Delaware
Pepsi Bottling Ventures, LLC	United States, Delaware
Pepsi Bugshan Investments Company	Egypt
Pepsi Cola Columbia Ltda	Colombia
Pepsi Cola Egypt S.A.E.	Egypt
Pepsi Cola Servis Dagitim Limited Sirketi	Turkey
Pepsi Cola Trading Ireland	Ireland
Pepsi Foods Private Limited	India
Pepsi Lipton China Joint Venture	China
Pepsi Lipton India Joint Venture	India
Pepsi Lipton International Limited	Ireland
Pepsi Logistics Company, Inc.	United States, Delaware
Pepsi Northwest Beverages LLC	United States, Delaware
Pepsi Overseas (Investments) Partnership	Canada
Pepsi Promotions, Inc.	United States, Delaware
Pepsi Solutions, Inc.	United States, Delaware
Pepsi South Bottling, LLC	United States, Delaware
Pepsi Srl	Italy
Pepsi/Lipton Tea Partnership	United States
PepsiAmericas Commissary Services, Inc.	United States, Delaware
PepsiAmericas Nemzetkozi Szolgaltata Kirlatalt Felelassegu Tasasag	Hungary
PepsiAmericas Sales Services, LLC	United States, Delaware
PepsiAmericas Vending, LLC	United States, Delaware
PepsiCo (China) Limited	China
PepsiCo (Gilbraltar) Limited	Gilbraltar
PepsiCo (Ireland)	Ireland
PepsiCo (Malaysia) SDN. BHD.	Malaysia

NAME OF ENTITY	JURISDICTION
PepsiCo (Malaysia) SDN. BHD.	United States, Delaware
PepsiCo Agro, C.A.	Venezuela
PepsiCo Alimentos Colombia Ltda.	Colombia
PepsiCo Alimentos Ecuador Cia. Ltd.	Ecuador
PepsiCo Alimentos Peru, S.R.L.	Peru
PepsiCo Alimentos Venezuela, S.R.L.	Venezuela
PepsiCo Alimentos Z.F., Ltda.	Colombia
PepsiCo Alimentos, S.C.A.	Venezuela
PepsiCo Amacoco Bebidas Do Brasil Ltda.	Brazil
PepsiCo Antilles Holdings N.V.	Curacao
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 Bermuda Limited	Bermuda
PepsiCo Beverages International Limited	Nigeria
PepsiCo Beverages Italia Srl	Italy
PepsiCo Beverages Switzerland GmbH	Switzerland
PepsiCo Canada (Holdings) Co.	Canada
PepsiCo Canada Finance, LLC	United States, Delaware
PepsiCo Canada ULC	Canada
PepsiCo Captive Holdings, Inc.	United States, Delaware
PepsiCo Caribbean, Inc.	Puerto Rico
PepsiCo Commercial Secor, S.L.	Spain
PepsiCo Consulting Polska Sp. Z.o.o.	Poland
PepsiCo CZ s.r.o.	Czech Republic
PepsiCo de Argentina S.R.L.	Argentina
PepsiCo de Bolivia S.R.L.	Bolivia
PepsiCo de Mexico S. de R.L. de C.V.	Mexico
PepsiCo Del Paraguay S.R.L.	Paraguay
PepsiCo Deutschland GmbH	Germany
PepsiCo do Brazil Holdings Limitada	Brazil
PepsiCo do Brazil Ltda.	Brazil
PepsiCo Eesti AS	Estonia
PepsiCo Euro Bermuda Limited	Bermuda
PepsiCo Euro Finance Antilles B.V.	Curacao
PepsiCo Euro Finance Antilles N.V.	Curacao
PepsiCo Europe Support Center, S.L.	Spain
PepsiCo Finance (Antilles A) N.V.	Curacao
PepsiCo Finance (Antilles A) N.V.	United States, Delaware
PepsiCo Finance (Antilles B) N.V.	Curacao
PepsiCo Finance (South Africa) (Proprietary) Limited	South Africa
PepsiCo Finance Europe Limited	United Kingdom
PepsiCo Financial Shared Services, Inc.	United States, Delaware

NAME OF ENTITY	JURISDICTION
PepsiCo Financiera y Promocion de Empresas, S.L.	Spain
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 Trading Industrial & Agricultural S.A.	Greece
PepsiCo Foods Taiwan Co., Ltd.	Taiwan
PepsiCo France SNC	France
PepsiCo Global Investments B.V.	Netherlands
PepsiCo Global Investments Holdings Limited	Ireland
PepsiCo Global Investments II B.V.	Netherlands
PepsiCo Global Investments S.a.r.l.	Luxembourg
PepsiCo Global Mobility, LLC	United States, Delaware
PepsiCo Group	Luxembourg
PepsiCo Group Finance International B.V.	Luxembourg
PepsiCo Group Holdings International B.V.	Luxembourg
PepsiCo Group Spotswood Holdings S.C.S.	Luxembourg
PepsiCo Gulf International FZE	United Arab Emirates
PepsiCo Holbra Alimentos Ltda.	Brazil
PepsiCo Holding de Espana Etve, S.L.	Spain
PepsiCo Holdings	United Kingdom
PepsiCo Holdings Hong Kong Limited	Hong Kong
PepsiCo Holdings Luxembourg S.a. r.l.	Luxembourg
PepsiCo Hong Kong, LLC	United States, Delaware
PepsiCo India Holdings Private Limited	India
PepsiCo Internacional Mexico S. de R.L. de C. V.	Mexico
PepsiCo International Limited	United Kingdom
PepsiCo International Pte. Ltd.	Singapore
PepsiCo International Vietnam Company	Vietnam
PepsiCo Investment (China) Ltd.	China
PepsiCo Investments (Europe) I B.V.	Netherlands
PepsiCo Investments Ltd.	Mauritius
PepsiCo Investments Luxembourg S.a. r.l.	Luxembourg
PepsiCo Ireland Food & Beverages	Ireland
PepsiCo IVI S.A.	Greece
PepsiCo Japan Co., Ltd.	Japan
PepsiCo Light B.V.	Netherlands
PepsiCo Management Services SASU	France
PepsiCo Manufacturing, A.I.E.	Spain
PepsiCo Mauritius Holdings, Inc.	Mauritius
PepsiCo Max B.V.	Netherlands
PepsiCo Mexico R&D Biscuits, S. de R.L. de C.V.	Mexico
PepsiCo Mexico R&D Savory, S. de R.L. de C.V.	Mexico
PepsiCo Middle East Investments	Netherlands

NAME OF ENTITY	JURISDICTION
PepsiCo Nederland B.V.	Netherlands
PepsiCo New Zealand Holdings	New Zealand
PepsiCo Nordic Finland OY	Finland
PepsiCo Nordic Norway A/S	Norway
PepsiCo NZ Finance Antillies B.V.	Curacao
PepsiCo One B.V.	Netherlands
PepsiCo Overseas Corporation	United States, Delaware
PepsiCo Pacific Trading Company, Limited	Hong Kong
PepsiCo Panimex Inc.	Mauritius
PepsiCo Pension Management Services, Ltd.	United States, Delaware
PepsiCo Products B.V.	Netherlands
PepsiCo Property Management Limited	United Kingdom
PepsiCo Puerto Rico, Inc.	United States, Delaware
PepsiCo Russia (Bermuda) Limited	Bermuda
PepsiCo Sales, Inc.	United States, Delaware
PepsiCo Services Asia Ltd.	Thailand
PepsiCo Services International Inc.	United States, Delaware
PepsiCo Sterling Finance Antilles B.V.	Curacao
PepsiCo Trading (Guangzhou) Company	China
PepsiCo Twist B.V.	Netherlands
PepsiCo UK Pension Plan Trustee Limited	United Kingdom
PepsiCo UK Pension Trust Limited	United Kingdom
PepsiCo Ventas Andalucia, S.L.	Spain
PepsiCo Wave Holdings LLC	United States, Delaware
PepsiCo World Trading Company, Inc.	United States, Delaware
Pepsi-Cola (Bahamas) Bottling Company Limited	Bahamas
Pepsi-Cola (Bermuda) Limited	Bermuda
Pepsi-Cola (Thai) Trading Company Limited	Thailand
Pepsi-Cola Advertising and Marketing, Inc.	United States, Delaware
Pepsi-Cola Beverage (Guilin) Company Limited	China
Pepsi-Cola Bottlers Holding, C.V.	Netherlands
Pepsi-Cola Bottling Company of Ft. Lauderdale-Palm Beach, LLC	United States, Florida
Pepsi-Cola Bottling Company of St. Louis, Inc.	United States, Missouri
Pepsi-Cola Bottling Finance B.V.	Netherlands
Pepsi-Cola Bottling Global B.V.	Netherlands
Pepsi-Cola Bottling of Roseburg, An Oregon Limited Partnership	United States, Oregon
Pepsi-Cola Company	United States, Delaware
Pepsi-Cola Consultores Ltda.	China
Pepsi-Cola de Honduras S.R.L.	Honduras
Pepsi-Cola East Africa Limited	United Kingdom
Pepsi-Cola Ecuador Cia. Ltda.	Ecuador
Pepsi-Cola Engarrafadora Ltda.	Brazil
Pepsi-Cola Far East Trade Development Co., Inc.	Philippines

NAME OF ENTITY	JURISDICTION
Pepsi-Cola Finance, LLC	United States, Delaware
Pepsi-Cola General Bottlers Poland SP, z.o.o.	Poland
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, Delaware
Pepsi-Cola International, Cork	Ireland
Pepsi-Cola Kft. Hungary	Hungary
Pepsi-Cola Korea, Co., Limited	Korea
Pepsi-Cola Maghreb	Morocco
Pepsi-Cola Mamulleri Limited Sirketi	Turkey
Pepsi-Cola Management and Administrative Services, Inc.	United States, Delaware
Pepsi-Cola Manufacturing (Ireland)	Ireland
Pepsi-Cola Manufacturing (Mediterranean) Limited	Bermuda
Pepsi-Cola Manufacturing Company of Uruguay 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, Wyoming
Pepsi-Cola Metropolitan Bottling Company, Inc.	United States, New Jersey
Pepsi-Cola Metropolitan, LLC	United States, Delaware
Pepsi-Cola Mexicana Holdings LLC	United States, Delaware
Pepsi-Cola Mexicana, S. de R.L. de C.V.	Mexico
Pepsi-Cola National Marketing, LLC	United States, Delaware
Pepsi-Cola of Corvallis, Inc.	United States, Delaware
Pepsi-Cola Operating Company of Chesapeake and Indianapolis	United States, Delaware
Pepsi-Cola Panamericana SCR Limitada	Peru
Pepsi-Cola Panamericana, LLC	United States, Delaware
Pepsi-Cola Panamericana, S.R.L.	Venezuela
Pepsi-Cola Products Philippines, Inc.	Philippines
Pepsi-Cola Sales and Distribution, Inc.	United States, Delaware
Pepsi-Cola Sales, LLC	United States, Delaware
Pepsi-Cola Servis ve Dagitim Ltd. Sti.	Turkey
Pepsi-Cola SR s.r.o.	Slovakia
Pepsi-Cola Technical Operations, Inc.	United States, Delaware
Pepsi-Cola U.K. Limited	United Kingdom
Pepsi-Cola Ukranine LLC	Ukraine
Pepsi-Cola Venezuela, C.A.	Venezuela
PepsiCo-Strauss Fresh Dip & Spreads International GmbH	Switzerland
Pete & Johnny Limited	United Kingdom
Pet-Iberia, S.L.	Spain
Pine International Limited	Cayman Islands
Pine International, LLC	United States, Delaware

NAME OF ENTITY	JURISDICTION
Pinstripe Leasing, LLC	United States, Delaware
PISSA Colombia Ltda.	Colombia
Planters U.K. Limited	United Kingdom
PlayCo, Inc.	United States, Delaware
Plemzavod Za Mir I Trude OJSC	Romania
PR Beverages Bermuda Holding Ltd.	Bermuda
PR Beverages Cyprus (Russia) Holding Limited	Cyprus
PR Beverages Cyprus Holding Limited	Cyprus
PR Beverages Limited	Ireland
PRB Luxembourg International S.a r.l.	Luxembourg
PRB Luxembourg S.a r.l.	Luxembourg
Prestwick, LLC	United States, Delaware
Prev PepsiCo Sociedade Previdenciaria	Brazil
Productos Industrializados Saltillo, S. de R.L. de C.V.	Mexico
Productos S.A.S. C.V.	Netherlands
Productos Victoria S.A. de C.V.	Mexico
Products SAS Management B.V.	Netherlands
Promotora De Empresas, S.A. de C.V.	Mexico
PROPP Co. Ltd.	Romania
PRS, Inc.	United States, Delaware
PSE Logistica, S.R.L.	Argentina
PT Indofood FritoLay Makmur	Indonesia
PT Quaker Indonesia	Indonesia
Punch N.V.	Curacao
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, Delaware
QTG Services, Inc.	United States, Delaware
QuadGat Beverage Company (Europe) Limited	Cyprus
Quadrant Amroq Beverages S.A.	Moldova
Quadrant Bulgaria Beverages EOOD	Bulgaria
Quadrant European Beverages (Bulgaria) Limited	Cyprus
Quadrant-Amroq Beverages S.R.L.	Romania
Quadrant-Amroq Bottling Company (Europe) Ltd.	Cyprus
Quadrant-Amroq Bottling Company Limited	British Virgin Islands
Quaker Beverages Italia S.p.A	Italy
Quaker Developments B.V.	Netherlands
Quaker European Beverages, LLC	United States, Delaware
Quaker European Investments B.V.	Netherlands
Quaker Foods	United Kingdom
Quaker Global Investments B.V.	Netherlands
Quaker Holdings (UK) Limited	United Kingdom
Quaker Manufacturing, LLC	United States, Delaware

NAME OF ENTITY	JURISDICTION
Quaker Mexico Holdings, LLC	United States, Delaware
Quaker Oats Asia, Inc.	United States, Delaware
Quaker Oats Australia Pty Ltd	Australia
Quaker Oats B.V.	Netherlands
Quaker Oats Capital Corporation	United States, Delaware
Quaker Oats Europe LLC	United States, Delaware
Quaker Oats Europe, Inc.	United States, Delaware
Quaker Oats Limited	United Kingdom
Quaker Peru S.R.L.	Peru
Quaker Sales & Distribution, Inc.	United States, Delaware
Quaker Trading Limited	United Kingdom
Ramenskoe Moloko Co. Ltd.	Russia
Rare Fare Foods, Inc.	United States, Delaware
Rasines Inversiones, S.L.	Spain
Rebujito Inversiones, S.L.	Spain
Rolling Frito-Lay Sales, LP	United States, Delaware
Ronkas Inversiones, S.L.	Spain
S & T of Mississippi, Inc.	United States, Mississippi
S.C. Quadrant Amroq Beverages S.r.L.	Romania
S.C. Star Foods E.M. S.R.L.	Romania
Sabra Dipping Company, LLC	United States, Delaware
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, Delaware
Sabritas, S. de R.L. de C.V.	Mexico
Sakata Rice Snacks Australia Pty Ltd	Australia
Sandora Holdings B.V.	Netherlands
Sanser Administracao E Partipacoes Ltda.	Brazil
Saudi Snack Foods Company Limited	Saudi Arabia
Seepoint Holdings Ltd.	Cyprus
Senrab	Ireland
Serenitatis Limited	Gibraltar
Serm Suk Public Company Limited	Thailand
Servicios Calificados, S.A. de C.V.	Mexico
Servicios Chipiga, S. de R.L. de C.V.	Mexico
Servicios GFLG y Compania Limitada	Guatemala
Servicios Harinera Monterrey, S.A. de C.V.	Mexico
Servi-Facil, S.A.	Mexico
Seven-Up Asia, Inc.	United States, Missouri
Seven-Up Europe Limited	United Kingdom
Seven-Up Great Britain, Inc.	United States, Missouri
Seven-Up Light B.V.	Netherlands
Seven-Up Nederland B.V.	Netherlands
Shanghai PepsiCo Snacks Company Limited	China

NAME OF ENTITY	JURISDICTION
Shanghai Pepsi-Cola Beverage Company Limited	China
Sharepower, Inc.	United States, Delaware
Shenyang Pepsi-Cola Beverage Company Limited	China
Shenzhen Pepsi-Cola Beverage Company Limited	China
Shoebill, LLC	United States, Delaware
SIH International LLC	United States, Delaware
Simba (Proprietary) Limited	South Africa
Simba Quix Swazilan (Pty) Limited	South Africa
Smartfoods, Inc.	United States, Delaware
Smiths Crisps Limited	United Kingdom
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 Ventures Europe SCA	Belgium
Snacks America Latina S.R.L.	Peru
Snacks Guatemala, Ltd.	Bermuda
SoBe Operating Corp., Inc.	United States, Delaware
Sobol Aqua OJSC	Russia
Societe Monderne Libanaise pour Le Commerce S.A.L.	Lebanon
South Beach Beverage Company, Inc.	United States, Delaware
South Properties, Inc.	United States, Illinois
Special Edition Beverages Limited	New Zealand
Sportmex Internacional, S.A. De C.V.	Mexico
Spruce Limited	Cayman Islands
Stacy’s Pita Chip Company, Incorporated	United States, Massachusetts
Star Foods Bulgaria EOOD	Bulgaria
Stepplan Inversiones, S.L.	Spain
Stokely-Van Camp, Inc.	United States, Indiana
Strategic Beverages (Thailand) Co. Ltd.	Thailand
Strauss Frito Lay Ltd.	Israel
SVC Logistics, Inc.	United States, Delaware
SVC Manufacturing, Inc.	United States, Delaware
SVE Russia Holdings GmbH	Germany
Tanglewood Finance S.a. r.L.	Luxembourg
Tastes of Adventures Pty Ltd	Australia
Tasty Foods S.A.	Greece
Teeba for Developed Food & Processing Company	Jordan
TFL Holdings, LLC	United States, Delaware
The Concentrate Manufacturing Company of Ireland	Ireland
The Gatorade Company	United States, Delaware
The Gatorade Company of Australia Pty Limited	Australia
The Original Pretzel Company Pty Ltd.	Australia
The Pepsi Bottling Group (Canada) ULC	Canada
The Pepsi Bottling Group Foundation, Inc.	United States, New York

NAME OF ENTITY	JURISDICTION
The Quaker Oats Company	United States, New Jersey
The Smiths Snackfood Company Limited	Australia
Tianjin Pepsi-Cola Beverage Company Limited	China
Tobago Snack Holdings, LLC	United States, Delaware
Tropicana Alvalle S.L.	Spain
Tropicana Beverages Greater China Limited	Hong Kong
Tropicana Beverages Ltd.	Hong Kong
Tropicana Europe	Belgium
Tropicana Looza Benelux BVBA	Belgium
Tropicana Manufacturing Company, Inc.	United States, Delaware
Tropicana Products Sales, Inc.	United States, Delaware
Tropicana Products, Inc.	United States, Delaware
Tropicana Services, Inc.	United States, Delaware
Tropicana Transportation Corp.	United States, Delaware
Tropicana United Kingdom Limited	United Kingdom
Tuymazinskiy Molokozavod OJSC	Russia
Twisties Australia One Pty Limited	Australia
Twisties Australia Two Pty Limited	Australia
United Foods Companies Restaurantes S.A.	Brazil
Veurne Snackfoods BVBA	Belgium
Vitamin Brands Ltd.	United Kingdom
Vitarom Impex s.r.l.	Romania
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
Wave Holding LLC	United States, Delaware
Wesellsoda Inversiones, S.L.	Spain
Whitman Corporation	United States, Delaware
Whitman Finance, Inc.	United States, Delaware
Whitman Insurance Co., Inc.	United States, Vermont
Whitman Leasing, Inc.	United States, Delaware
Willamette Beverage Co.	United States, Oregon
Wimm-Bill-Dann Beverages OJSC	Russia
Wimm-Bill-Dann Brands Co. Ltd.	Russia
Wimm-Bill-Dann Finance Co. Ltd.	Russia
Wimm-Bill-Dann Foods OJSC	Russia
Wimm-Bill-Dann Netherlands B.V.	Netherlands
Wimm-Bill-Dann OJSC	Russia
Wimm-Bill-Dann Ukraine	Ukraine
Wotsits Brands Limited	United Kingdom
Wuhan Pepsi-Cola Beverage Company Limited	China
Xi’an Pepsi-Cola Beverage Company Limited	China
Zhanjiang Pepsi Cola Beverage Company Limited	China
Zhengzhou Pepsi Beverage Company Limited	China

EXHIBIT 23

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 27, 2012, with respect to the Consolidated Balance Sheets of PepsiCo, Inc. as of December 31, 2011 and December 25, 2010, and the related Consolidated Statements of Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 31, 2011, and the effectiveness of internal control over financial reporting as of December 31, 2011, which report appears in the December 31, 2011 annual report on Form 10-K of PepsiCo, Inc.

Our report dated February 27, 2012, on the effectiveness of internal control over financial reporting as of December 31, 2011, contains an explanatory paragraph that states the scope of management’s assessment of the effectiveness of internal control over financial reporting excluded the internal control over financial reporting of Wimm-Bill-Dann Foods OJSC and its subsidiaries (“WBD”), which the Company acquired in February 2011. WBD represented 9% of the Company’s consolidated total assets and 4% of the Company’s consolidated net revenues as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of PepsiCo, Inc. also excluded an evaluation of the internal control over financial reporting of WBD.

Description, Registration Statement Number

Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

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, 333-166740
- 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
- PBG 401(k) Savings Program, PBG 401(k) Program, PepsiAmericas, Inc. Salaried 401(k) Plan and PepsiAmericas, Inc. Hourly 401(k) Plan, 333-165106
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors’ Stock Plan, PBG Stock Incentive Plan and PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165107

/s/ KPMG LLP
New York, New York

February 27, 2012

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that PepsiCo, Inc. ("PepsiCo") and each other undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Maura Abeln Smith and Cynthia A. Nastanski, 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) deemed necessary or appropriate by either such attorney-in-fact:

(i) Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, 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 and the Automatic Shelf Registration Statement No. 333-177307 relating to the offer and sale of PepsiCo Common Stock, 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; and Registration Statements Nos. 333-142811 and 333-166740 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2007 Long-Term Incentive Plan;

(vii) Registration Statements 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. 333-162261 relating to the issuance of shares of PepsiCo Common Stock to stockholders of The Pepsi Bottling Group, Inc. pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Pepsi-Cola Metropolitan Bottling Company, Inc. ("Metro");

(ix) Registration Statement No. 333-162260 relating to the issuance of shares of PepsiCo Common Stock to stockholders of PAS pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;

(x) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Metro;

(xi) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;

(xii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;

(xiii) Registration Statement No. 333-165106 relating to the offer and sale of PepsiCo Common Stock under the PBG 401(k) Savings Program, the PBG 401(k) Program, the PepsiAmericas, Inc. Salaried 401(k) Plan and the PepsiAmericas, Inc. Hourly 401(k) Plan;

(xiv) Registration Statement No. 333-165107 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, the PBG Directors' Stock Plan, the PBG Stock Incentive Plan and the PepsiAmericas, Inc. 2000 Stock Incentive Plan;

(xv) Registration Statement No. 333-165176 relating to the offer and sale of PepsiCo Common Stock under the PepsiAmericas, Inc. 2000 Stock Incentive Plan;

(xvi) Registration Statement No. 333-165177 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and the PBG Stock Incentive Plan; and

(xvii) all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission (the "SEC"), including, but not limited to the Annual Reports on Form 10-K, Quarterly Report on Form 10-Q, Current Reports on Form 8-K or any amendment or supplement thereto, 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' or third party 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 the SEC, any stock exchanges or any governmental official or agency, with all exhibits thereto and other documents in connection therewith, and each of such attorneys-in-fact shall have the power to act hereunder with or without the other.

FURTHER, KNOW ALL BY THESE PRESENTS, that each of the undersigned that is an officer or director, or both, of PepsiCo, also hereby constitutes and appoints each of Maura Abeln Smith and Cynthia A. Nastanski, and each of them severally, the undersigned's true and lawful attorney-in-fact to:

1) execute for and on behalf of the undersigned, in the undersigned's capacity as a director or officer, or both, of PepsiCo, Forms 3, 4 and 5 in accordance with Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules thereunder;

2) do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to complete and execute any such Form 3, 4 or 5 and timely file such form with the SEC and any stock exchange or similar authority; and

3) take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required by, the undersigned, it being understood that the documents executed by such attorney-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

The undersigned acknowledges that the foregoing attorneys-in-fact, in serving in such capacity at the request of the undersigned, are not assuming, nor is PepsiCo assuming, any of the undersigned's responsibilities to comply with Section 16 of the Exchange Act.

This Power of Attorney, insofar as it relates to the undersigned's obligations to file Forms 3, 4 and 5, shall remain in full force and effect until the undersigned is no longer required to file Forms 3, 4 and 5 with respect to the undersigned's holdings of and transactions in securities issued by PepsiCo, unless earlier revoked by the undersigned in a signed writing delivered to the foregoing attorneys-in-fact; provided that any termination or revocation of this Power of Attorney, insofar as it relates to the undersigned's obligations to file Forms 3, 4 and 5, shall not affect the delegations of authority by the undersigned pursuant to clauses (i) through (xvii) above.

* * *

Each of the undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney.

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IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date indicated opposite its, his or her name.

PEPSICO, INC.

By:

/s/ Indra K. Nooyi Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 27, 2012
/s/ Hugh F. Johnston Hugh F. Johnston	Chief Financial Officer	February 27, 2012
/s/ Marie T. Gallagher Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 27, 2012
/s/ Shona L. Brown Shona L. Brown	Director	February 27, 2012
/s/ Ian M. Cook Ian M. Cook	Director	February 27, 2012
/s/ Dina Dublon Dina Dublon	Director	February 27, 2012
/s/ Victor J. Dzau Victor J. Dzau	Director	February 27, 2012
/s/ Ray L. Hunt Ray L. Hunt	Director	February 27, 2012
/s/ Alberto Ibargüen Alberto Ibargüen	Director	February 27, 2012
/s/ Arthur C. Martinez Arthur C. Martinez	Director	February 27, 2012

/s/ Sharon Percy Rockefeller Sharon Percy Rockefeller	Director	February 27, 2012
/s/ James J. Schiro James J. Schiro	Director	February 27, 2012
/s/ Lloyd G. Trotter Lloyd G. Trotter	Director	February 27, 2012
/s/ Daniel Vasella Daniel Vasella	Director	February 27, 2012
/s/ Alberto Weisser Alberto Weisser	Director	February 27, 2012

EXHIBIT 31

CERTIFICATION

I, **Indra K. Nooyi,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
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 the registrant as of, and for, the periods presented in this report;
4. The registrant'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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   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 the registrant'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 the registrant's internal control over financial reporting.

Date: February 27, 2012

/s/ Indra K. Nooyi

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

CERTIFICATION

I, **Hugh F. Johnston,** certify that:

1. I have reviewed this annual report on Form 10-K of PepsiCo, Inc.;
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 the registrant as of, and for, the periods presented in this report;
4. The registrant'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 the registrant 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 the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    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 the registrant'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 the registrant's internal control over financial reporting.

Date: February 27, 2012

/s/ Hugh F. Johnston

Hugh F. Johnston
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 31, 2011 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 27, 2012

/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 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Hugh F. Johnston, 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 27, 2012

/s/ Hugh F. Johnston
Hugh F. Johnston
Chief Financial Officer