

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 9, 2006 (36 weeks)

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)

914-253-2000

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

Number of shares of Common Stock outstanding as of October 6, 2006: 1,642,081,426

PEPSICO, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts, unaudited)

	<u>12 Weeks Ended</u>		<u>36 Weeks Ended</u>	
	<u>9/9/06</u>	<u>9/3/05</u>	<u>9/9/06</u>	<u>9/3/05</u>
Net Revenue	\$8,950	\$8,184	\$24,754	\$22,466
Cost of sales	4,030	3,515	11,018	9,699
Selling, general and administrative expenses	3,063	2,952	8,702	8,181
Amortization of intangible assets	41	37	108	103
Operating Profit	1,816	1,680	4,926	4,483
Bottling equity income	225	209	485	430
Interest expense	(51)	(58)	(172)	(161)
Interest income	39	37	110	88
Income before income taxes	2,029	1,868	5,349	4,840
Provision for income taxes	548	1,004	1,491	1,870
Net Income	\$1,481	\$ 864	\$ 3,858	\$ 2,970
Net Income Per Common Share				
Basic	\$0.90	\$0.52	\$2.33	\$1.77
Diluted	\$0.88	\$0.51	\$2.28	\$1.74
Cash Dividends Declared Per Common Share	\$0.30	\$0.26	\$0.86	\$0.75

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions, unaudited)

	36 Weeks Ended	
	9/9/06	9/3/05
Operating Activities		
Net income	\$ 3,858	\$ 2,970
Depreciation and amortization	940	896
Stock-based compensation expense	191	215
Excess tax benefits from share-based payment arrangements	(91)	–
Cash payments for merger-related costs and restructuring charges	–	(21)
Pension and retiree medical plan contributions	(90)	(104)
Pension and retiree medical plan expenses	371	306
Bottling equity income, net of dividends	(409)	(345)
Deferred income taxes and other tax charges and credits	48	290
Change in accounts and notes receivable	(785)	(751)
Change in inventories	(246)	(104)
Change in prepaid expenses and other current assets	2	48
Change in accounts payable and other current liabilities	263	163
Change in income taxes payable	242	918
Other, net	(2)	77
Net Cash Provided by Operating Activities	4,292	4,558
Investing Activities		
Snack Ventures Europe (SVE) minority interest acquisition	–	(750)
Capital spending	(1,130)	(796)
Sales of property, plant and equipment	37	65
Investment in finance assets	(11)	–
Other acquisitions and investments in noncontrolled affiliates	(444)	(302)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock	285	177
Divestitures	37	3
Short-term investments, by original maturity		
More than three months – purchases	(17)	(82)
More than three months – maturities	21	56
Three months or less, net	1,095	(1,832)
Net Cash Used for Investing Activities	(127)	(3,461)
Financing Activities		
Proceeds from issuances of long-term debt	25	13
Payments of long-term debt	(136)	(145)
Short-term borrowings, by original maturity		
More than three months – proceeds	127	51
More than three months – payments	(256)	(66)
Three months or less, net	(1,905)	1,236
Cash dividends paid	(1,359)	(1,209)
Share repurchases – common	(2,157)	(2,085)
Share repurchases – preferred	(7)	(14)
Proceeds from exercises of stock options	1,008	707
Excess tax benefits from share-based payment arrangements	91	–
Net Cash Used for Financing Activities	(4,569)	(1,512)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	13	(21)
Net Decrease in Cash and Cash Equivalents	(391)	(436)
Cash and Cash Equivalents – Beginning of year	1,716	1,280
Cash and Cash Equivalents – End of period	\$ 1,325	\$ 844

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	(Unaudited) 9/9/06	12/31/05
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,325	\$ 1,716
Short-term investments	2,075	3,166
Accounts and notes receivable, less allowance: 9/06 – \$74, 12/05 – \$75	4,154	3,261
Inventories		
Raw materials	855	738
Work-in-process	172	112
Finished goods	935	843
	1,962	1,693
Prepaid expenses and other current assets	623	618
Total Current Assets	10,139	10,454
Property, Plant and Equipment	18,220	17,145
Accumulated Depreciation	(9,109)	(8,464)
	9,111	8,681
Amortizable Intangible Assets, net	613	530
Goodwill	4,473	4,088
Other Nonamortizable Intangible Assets	1,164	1,086
Nonamortizable Intangible Assets	5,637	5,174
Investments in Noncontrolled Affiliates	3,626	3,485
Other Assets	3,140	3,403
Total Assets	<u>\$32,266</u>	<u>\$31,727</u>

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) 9/9/06	12/31/05
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	\$ 568	\$ 2,889
Accounts payable and other current liabilities	6,498	5,971
Income taxes payable	668	546
Total Current Liabilities	7,734	9,406
Long-term Debt Obligations	2,528	2,313
Other Liabilities	4,534	4,323
Deferred Income Taxes	1,462	1,434
Total Liabilities	16,258	17,476
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(117)	(110)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 9/06 and 12/05 – 1,782 shares	30	30
Capital in excess of par value	527	614
Retained earnings	23,546	21,116
Accumulated other comprehensive loss	(811)	(1,053)
	23,292	20,707
Less: repurchased common stock, at cost:		
9/06 – 136 shares, 12/05 – 126 shares	(7,208)	(6,387)
Total Common Shareholders' Equity	16,084	14,320
Total Liabilities and Shareholders' Equity	\$32,266	\$31,727

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in millions, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	<u>9/9/06</u>	<u>9/3/05</u>	<u>9/9/06</u>	<u>9/3/05</u>
Net Income	\$1,481	\$864	\$3,858	\$2,970
Other Comprehensive Income/(Loss)				
Currency translation adjustment	90	95	262	(81)
Cash flow hedges, net of tax:				
Net derivative (losses)/gains	(4)	18	(16)	41
Reclassification of (gains)/losses to net income	–	(4)	(7)	5
Unrealized gains/(losses) on securities, net of tax	4	–	(2)	(4)
Other	<u>1</u>	<u>–</u>	<u>5</u>	<u>4</u>
	91	109	242	(35)
Comprehensive Income	<u>\$1,572</u>	<u>\$973</u>	<u>\$4,100</u>	<u>\$2,935</u>

See accompanying [Notes to the Condensed Consolidated Financial Statements](#).

PEPSICO, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Our Divisions

Basis of Presentation

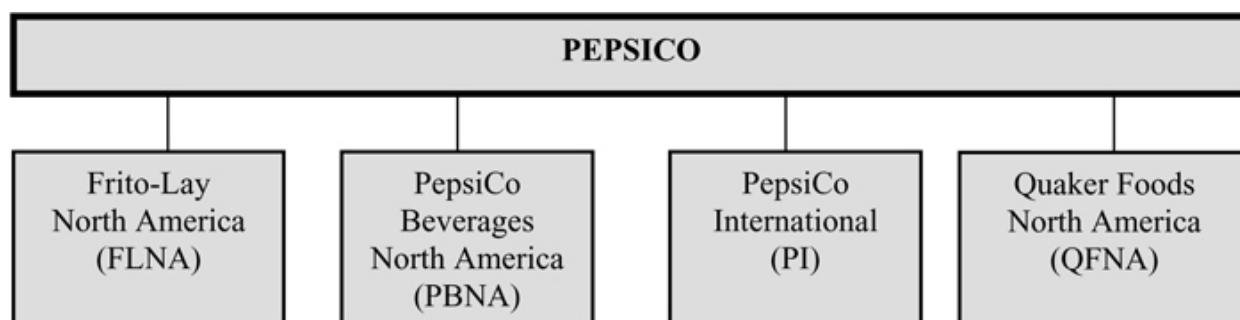
Our Condensed Consolidated Balance Sheet as of September 9, 2006, the Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 36 weeks ended September 9, 2006 and September 3, 2005, and the Condensed Consolidated Statement of Cash Flows for the 36 weeks ended September 9, 2006 and September 3, 2005 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks are not necessarily indicative of the results expected for the year.

Our significant interim accounting policies include the recognition of a pro rata share of certain estimated annual sales incentives, and certain advertising and marketing costs, generally in proportion to revenue, and the recognition of income taxes using an estimated annual effective tax rate. 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.

Bottling equity income includes our share of the net income or loss of our noncontrolled bottling affiliates and the impact of any changes in our ownership interests in these affiliates. Bottling equity income includes pre-tax gains on our sale of PBG stock of \$61 million and \$167 million in the 12 and 36 weeks ended September 9, 2006, respectively, and pre-tax gains of \$41 million and \$105 million in the 12 and 36 weeks ended September 3, 2005, respectively.

The following information is unaudited. 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 year amounts to conform to the 2006 presentation. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Our Divisions



	12 Weeks Ended		36 Weeks Ended	
	9/9/06	9/3/05	9/9/06	9/3/05
Net Revenue				
FLNA	\$2,642	\$2,461	\$ 7,602	\$ 7,097
PBNA	2,608	2,520	7,104	6,522
PI	3,298	2,839	8,830	7,716
QFNA	402	364	1,218	1,131
	<u>\$8,950</u>	<u>\$8,184</u>	<u>\$24,754</u>	<u>\$22,466</u>
Operating Profit				
FLNA	\$ 694	\$ 655	\$1,897	\$1,788
PBNA	603	628	1,657	1,598
PI	554	473	1,471	1,232
QFNA	123	111	389	369
Total division	1,974	1,867	5,414	4,987
Corporate	(158)	(187)	(488)	(504)
	<u>\$1,816</u>	<u>\$1,680</u>	<u>\$4,926</u>	<u>\$4,483</u>
Total Assets			9/9/06	12/31/05
FLNA			\$ 6,235	\$ 5,948
PBNA			6,737	6,316
PI			10,984	9,983
QFNA			1,019	989
Total division			24,975	23,236
Corporate			3,986	5,331
Investments in bottling affiliates			3,305	3,160
			<u>\$32,266</u>	<u>\$31,727</u>

Intangible Assets

	9/9/06	12/31/05
<i>Amortizable intangible assets, net</i>		
Brands	\$1,219	\$1,054
Other identifiable intangibles	277	257
	1,496	1,311
Accumulated amortization	(883)	(781)
	<u>\$ 613</u>	<u>\$ 530</u>

The change in the book value of nonamortizable intangible assets is as follows:

	Balance 12/31/05	Acquisitions	Translation & Other	Balance 9/9/06
<i>FLNA</i>				
Goodwill	\$ 145	\$ 139	\$ 6	\$ 290
<i>PBNA</i>				
Goodwill	2,164	–	2	2,166
Brands	59	–	–	59
	<u>2,223</u>	<u>–</u>	<u>2</u>	<u>2,225</u>
<i>PI</i>				
Goodwill	1,604	160	78	1,842
Brands	1,026	–	78	1,104
	<u>2,630</u>	<u>160</u>	<u>156</u>	<u>2,946</u>
<i>QFNA</i>				
Goodwill	175	–	–	175
<i>Corporate</i>				
Pension intangible	1	–	–	1
Total goodwill	4,088	299	86	4,473
Total brands	1,085	–	78	1,163
Total pension intangible	1	–	–	1
	<u>\$ 5,174</u>	<u>\$ 299</u>	<u>\$ 164</u>	<u>\$ 5,637</u>

Stock-Based Compensation

On January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*, under the modified prospective method. Since we had previously accounted for our stock-based compensation plans under the fair value provisions of SFAS 123, our adoption did not significantly impact our financial position or our results of operations. Under SFAS 123R, actual tax benefits recognized in excess of tax benefits previously established upon grant are reported as a financing cash inflow. Prior to adoption, such excess tax benefits were reported as an operating cash inflow.

We account for our employee stock options, which include grants under our executive program and broad-based SharePower program, under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term. The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Executives who are awarded long-term incentives based on their performance are offered the choice of stock options or restricted stock units (RSUs). Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Senior officers do not have a choice and are granted 50% stock options and 50% RSUs. 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. Vesting of RSU awards for senior officers is contingent upon the achievement of pre-established performance targets. As of September 9, 2006, 37 million shares were available for future stock-based compensation grants.

For the 12 weeks, we recognized stock-based compensation expense of \$64 million in 2006 and \$68 million in 2005, as well as related income tax benefits recognized in earnings of \$18 million and \$19 million, respectively. For the 36 weeks, we recognized stock-based compensation expense of \$191 million in 2006 and \$215 million in 2005, as well as related income tax benefits recognized in earnings of \$54 million and \$60 million, respectively. For the 12 weeks, stock-based compensation cost of less than \$1 million in 2006 and \$1 million in 2005 was capitalized in connection with our Business Process Transformation (BPT) initiative. For the 36 weeks, stock-based compensation cost of \$2 million in 2006 and \$3 million in 2005 was capitalized in connection with our BPT initiative.

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

	36 Weeks Ended	
	9/9/06	9/3/05
Expected life	6 yrs.	6 yrs.
Risk free interest rate	4.5%	3.8%
Expected volatility ^(a)	18%	24%
Expected dividend yield	1.9%	1.8%

^(a) Reflects movements in our stock price over the most recent historical period equivalent to the expected life.

A summary of option activity for the 36 weeks ended September 9, 2006 is presented below:

Our Stock Option Activity

	<u>Options^(a)</u>	<u>Average Price^(b)</u>	<u>Average Life (years)^(c)</u>	<u>Aggregate Intrinsic Value^(d)</u>
Outstanding at January 1, 2006	150,149	\$42.03		
Granted	11,786	57.50		
Exercised	(11,438)	38.18		
Forfeited/expired	(845)	47.40		
Outstanding at March 25, 2006	149,652	43.48		
Granted	166	57.81		
Exercised	(6,965)	37.54		
Forfeited/expired	(750)	49.02		
Outstanding at June 17, 2006	142,103	43.80		
Granted	223	61.60		
Exercised	(8,211)	38.87		
Forfeited/expired	(1,440)	48.42		
Outstanding at September 9, 2006	<u>132,675</u>	\$44.07	5.67	\$2,734,830
Exercisable at September 9, 2006	<u>95,759</u>	\$40.94	4.63	\$2,273,435

- (a) Options are in thousands and include options previously granted under Quaker plans. No additional options or shares may be granted under the Quaker plans.
(b) Weighted-average exercise price.
(c) Weighted-average contractual life remaining.
(d) In thousands.

A summary of RSU activity for the 36 weeks ended September 9, 2006 is presented below:

Our RSU Activity

	<u>RSUs^(a)</u>	<u>Average Intrinsic Value^(b)</u>	<u>Average Life (years)^(c)</u>	<u>Aggregate Intrinsic Value^(d)</u>
Outstanding at January 1, 2006	5,669	\$50.70		
Granted	2,576	57.54		
Converted	(62)	49.70		
Forfeited/expired	(159)	50.30		
Outstanding at March 25, 2006	8,024	52.88		
Granted	103	58.27		
Converted	(54)	49.85		
Forfeited/expired	(151)	52.54		
Outstanding at June 17, 2006	7,922	53.01		
Granted	—	—		
Converted	(41)	50.91		
Forfeited/expired	(180)	56.12		
Outstanding at September 9, 2006	<u>7,701</u>	\$52.94	1.57	\$498,499

- (a) RSUs are in thousands.
(b) Weighted-average intrinsic value at grant date.
(c) Weighted-average contractual life remaining.
(d) In thousands.

Other Stock-Based Compensation Data

	12 Weeks Ended		36 Weeks Ended	
	9/9/06	9/3/05	9/9/06	9/3/05
Stock Options				
Weighted-average fair value of options granted	\$13.31	\$11.80	\$12.78	\$13.45
Total intrinsic value of options exercised ^(a)	\$195,360	\$66,895	\$585,015	\$404,770

RSUs

Total intrinsic value of RSUs converted ^(a)	\$2,461	\$1,099	\$9,334	\$3,747
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(a) In thousands.

As of September 9, 2006, there was \$360 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation is expected to be recognized over a weighted-average period of 1.6 years.

Pension and Retiree Medical Benefits

The components of net periodic benefit cost for pension and retiree medical plans are as follows:

	12 Weeks Ended					
	Pension				Retiree Medical	
	9/9/06	9/3/05	9/9/06	9/3/05	9/9/06	9/3/05
	U.S.		International			
Service cost	\$ 56	\$ 49	\$ 12	\$ 8	\$11	\$ 9
Interest cost	73	68	15	13	17	18
Expected return on plan assets	(90)	(78)	(18)	(18)	—	—
Amortization of prior service cost/(benefit)	1	1	—	—	(3)	(2)
Amortization of experience loss	38	24	6	4	5	6
Total expense	\$ 78	\$ 64	\$ 15	\$ 7	\$30	\$ 31
	36 Weeks Ended					
	Pension				Retiree Medical	
	9/9/06	9/3/05	9/9/06	9/3/05	9/9/06	9/3/05
	U.S.		International			
Service cost	\$ 168	\$ 147	\$ 38	\$ 24	\$33	\$27
Interest cost	219	203	45	41	51	54
Expected return on plan assets	(270)	(237)	(54)	(52)	—	—
Amortization of prior service cost/(benefit)	3	3	—	—	(9)	(6)
Amortization of experience loss	114	72	18	12	15	18
Total expense	\$ 234	\$ 188	\$ 47	\$ 25	\$90	\$93

Net Income Per Common Share

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

	12 Weeks Ended			
	9/9/06		9/3/05	
	Income	Shares ^(a)	Income	Shares ^(a)
Net income	\$1,481		\$864	
Preferred shares:				
Dividends	—		(1)	
Redemption premium	(3)		(2)	
Net income available for common shareholders	\$1,478	1,648	\$861	1,668
Basic net income per common share	\$0.90		\$0.52	
Net income available for common shareholders	\$1,478	1,648	\$861	1,668
Dilutive securities:				
Stock options and RSUs ^(b)	—	38	—	33
ESOP convertible preferred stock	3	2	3	2
Diluted	\$1,481	1,688	\$864	1,703
Diluted net income per common share	\$0.88		\$0.51	

	36 Weeks Ended			
	9/9/06		9/3/05	
	Income	Shares ^(a)	Income	Shares ^(a)
Net income	\$3,858		\$2,970	
Preferred shares:				
Dividends	(1)		(2)	
Redemption premium	(7)		(11)	
Net income available for common shareholders	\$3,850	1,652	\$2,957	1,674
Basic net income per common share	\$2.33		\$1.77	
Net income available for common shareholders	\$3,850	1,652	\$2,957	1,674
Dilutive securities:				
Stock options and RSUs ^(b)	—	36	—	33
ESOP convertible preferred stock	8	2	13	2
Diluted	\$3,858	1,690	\$2,970	1,709
Diluted net income per common share	\$2.28		\$1.74	

^(a) Weighted average common shares outstanding.

^(b) Out-of-the-money options for the 12 and 36 weeks in 2006 and for the 12 weeks in 2005 were nominal. Options to purchase 4.0 million shares for the 36 weeks in 2005 were not included in the calculation of earnings per share because these options were out-of-the-money. Out-of-the-money options had an average exercise price of \$63.00 for both the 12 and 36 weeks in 2006. Out-of-the-money options had average exercise prices of \$54.75 for the 12 weeks and \$53.77 for the 36 weeks in 2005.

Debt Obligations and Commitments

In the second quarter of 2006, we entered into a new unsecured revolving credit agreement which enables us to borrow up to \$1.5 billion subject to customary terms and conditions. Funds borrowed under this agreement may be used for general corporate purposes, including supporting our outstanding commercial paper issuances. The agreement terminates in May 2011 and replaces our previous \$2.1 billion of credit facilities. As of September 9, 2006, we have reclassified \$1.5 billion of short-term debt to long-term based on our intent and ability to refinance on a long-term basis.

In the third quarter of 2006, we entered into a U.S. \$2.5 billion euro medium term note program. Under the program, we may issue unsecured notes under mutually agreed upon terms with the purchasers of the notes. Proceeds from any issuance of notes may be used for general corporate purposes, except as otherwise specified in the related prospectus. As of September 9, 2006, we have no outstanding notes under the program.

Additionally, in the fourth quarter of 2006, we entered into a long-term non-cancelable contract to purchase cooking oil. The total minimum commitment value of this contract is approximately \$1.1 billion, of which \$26 million is due in 2006, \$308 million is due in 2007-2008, \$308 million is due in 2009-2010 and \$436 million is due in 2011-2013.

Supplemental Cash Flow Information

	36 Weeks Ended	
	9/9/06	9/3/05
Interest paid	\$154	\$133
Income taxes paid, net of refunds	\$1,203	\$668
Acquisitions ^(a) :		
Fair value of assets acquired	\$ 574	\$ 929
Less: Cash paid and debt assumed	(444)	(1,052)
Add: Minority interest eliminated	—	216
Liabilities assumed	\$ 130	\$ 93

(a) In 2005, these amounts include the impact of our first quarter acquisition of General Mills, Inc.'s 40.5% ownership interest in SVE for \$750 million.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of our 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements and related disclosures. SAB 108 is effective as of the end of our 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. We are currently evaluating the impact of adopting SAB 108 on our financial statements.

In September 2006, the FASB issued SFAS 157 *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective as of the beginning of our 2008 fiscal year. We are currently evaluating the impact of adopting SFAS 157 on our financial statements.

In September 2006, the FASB issued SFAS 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS 158 requires that we recognize the overfunded or underfunded status of our defined benefit and retiree medical plans (our Plans) as an asset or liability in our 2006 year-end balance sheet, with changes in the funded status recognized through comprehensive income in the year in which they occur. We estimate the impact of adopting SFAS 158 to be approximately \$2 billion, reflected as a reduction in net assets on our balance sheet, with no impact to our statements of income or cash flows. SFAS 158 also requires us to measure the funded status of our Plans as of our year-end balance sheet date no later than 2008. We do not expect the impact of the change in measurement date to have a material impact on our financial statements.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL REVIEW

Our discussion and analysis is an integral part of understanding our financial results. Also refer to [Basis of Presentation and Our Divisions](#) in the Notes to the Condensed Consolidated Financial Statements. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

Sales Incentives and Advertising and Marketing Costs

We offer sales incentives through various programs to our customers and to consumers. These incentives are recorded as a reduction of the sales price of our products. Certain sales incentives are recognized at the time of sale while other incentives, such as bottler funding and customer volume rebates, are recognized during the year incurred, generally in proportion to revenue, based on annual targets. Anticipated payments are estimated based on historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expenses and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also recognized during the year incurred, generally in proportion to revenue.

Income Taxes

In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on our expected annual income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. The IRS audits of our tax returns for the years 1998 through 2002 may be concluded in 2006. In accordance with our income tax policy, significant or unusual items are separately recognized in the quarter in which they occur.

Stock-Based Compensation

On January 1, 2006, we adopted SFAS 123R under the modified prospective method. Since we had previously accounted for our stock-based compensation plans under the fair value provisions of SFAS 123, our adoption did not significantly impact our financial position or our results of operations. Under SFAS 123R, actual tax benefits recognized in excess of tax benefits previously established upon grant are reported as a financing cash inflow. Prior to adoption, such excess tax benefits were reported as an operating cash inflow.

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. The fair value of stock option grants is amortized to expense over the vesting period, generally three years. 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. Expected volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life.

For our 2006 Black-Scholes assumptions and other stock-based compensation required disclosures, see [Stock-Based Compensation](#) in the Notes to the Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize in our financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of our 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

In September 2006, the SEC issued SAB 108 to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements and related disclosures. SAB 108 is effective as of the end of our 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. We are currently evaluating the impact of adopting SAB 108 on our financial statements.

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective as of the beginning of our 2008 fiscal year. We are currently evaluating the impact of adopting SFAS 157 on our financial statements.

In September 2006, the FASB issued SFAS 158 which requires that we recognize the overfunded or underfunded status of our defined benefit and retiree medical plans (our Plans) as an asset or liability in our 2006 year-end balance sheet, with changes in the funded status recognized through comprehensive income in the year in which they occur. We estimate the impact of adopting SFAS 158 to be approximately \$2 billion, reflected as a reduction in net assets on our balance sheet, with no impact to our statements of income or cash flows. SFAS 158 also requires us to measure the funded status of our Plans as of our year-end balance sheet date no later than 2008. We do not expect the impact of the change in measurement date to have a material impact on our financial statements.

Our Business Risks

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These “forward-looking statements” are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations. We undertake no obligation to update any forward-looking statement.

Our operations outside of the United States generate approximately 40% of our net revenue. As a result, we are exposed to foreign currency risks, including unforeseen economic changes and political unrest. During the 36 weeks, net favorable foreign currency contributed 0.5 percentage points to net revenue growth, primarily due to increases in the Canadian dollar. Currency declines which are not offset could adversely impact our future results.

We expect to be able to mitigate the impact of increases in our raw material and energy costs through our hedging strategies and ongoing productivity initiatives.

Cautionary statements included in Management's Discussion and Analysis and in Item 1A. in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 should be considered when evaluating our trends and future results.

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.

Volume

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. For the 12 weeks, total servings increased 6%, with worldwide beverages growing nearly 6% and worldwide snacks growing almost 8%. For the 36 weeks, total servings increased 7%, with worldwide beverages growing nearly 8% and worldwide snacks growing over 6%.

We discuss volume for our beverage businesses on a bottler case sales (BCS) basis in which all beverage volume is converted to an 8 ounce case metric. A portion of our volume is sold by our bottlers, and that portion is based on our bottlers' sales to retailers and independent distributors. The remainder of our volume is based on our shipments to customers. BCS is reported to us by our bottlers on a monthly basis. Our third quarter beverage volume includes bottler sales for June, July and August.

Consolidated Results

Total Net Revenue and Operating Profit

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Total net revenue	\$8,950	\$8,184	9%	\$24,754	\$22,466	10%
Operating profit						
FLNA	\$ 694	\$ 655	6%	\$1,897	\$1,788	6%
PBNA	603	628	(4)%	1,657	1,598	4%
PI	554	473	17%	1,471	1,232	19%
QFNA	123	111	11%	389	369	5.5%
Corporate unallocated	(158)	(187)	(15)%	(488)	(504)	(3)%
Total operating profit	\$1,816	\$1,680	8%	\$4,926	\$4,483	10%
Total operating profit margin	20.3%	20.5%	(0.2)	19.9%	20.0%	(0.1)

12 Weeks

Net revenue increased 9% primarily reflecting higher volume and positive effective net pricing across all divisions. The volume gains contributed 4 percentage points to net revenue growth and the effective net pricing contributed 3 percentage points. Acquisitions and foreign exchange each contributed 1 percentage point to net revenue growth.

Total operating profit increased 8% and margin decreased 0.2 percentage points. The operating profit performance reflects the net revenue growth, partially offset by the impact of higher raw material and energy costs across all divisions.

Corporate unallocated expenses decreased \$29 million. This decrease primarily reflects the absence of two prior year items: (1) conforming our method of accounting across all divisions for certain freight, distribution, and employee benefits costs in 2005, which contributed \$45 million to the decrease, partially offset by (2) the 2005 settlement of a class action lawsuit related to our purchases of high fructose corn syrup from 1991 to 1995, which decreased corporate unallocated expenses by \$23 million in 2005. In 2006, higher costs associated with our BPT initiative of \$13 million and higher employee-related costs of \$9 million, were fully offset by the favorable impact of certain other corporate items. Corporate departmental expenses were essentially flat.

36 Weeks

Net revenue increased 10% primarily reflecting higher volume and positive effective net pricing across all divisions. The volume gains contributed 5 percentage points to net revenue growth and the effective net pricing contributed over 3 percentage points. Acquisitions and foreign exchange contributed 1 percentage point and 0.5 percentage points to net revenue growth, respectively.

Total operating profit increased 10% and margin decreased 0.1 percentage points. The operating profit performance reflects the net revenue growth, partially offset by the impact of higher raw material and energy costs across all divisions.

Corporate unallocated expenses decreased \$16 million. This decrease primarily reflects the absence of three prior year items: (1) conforming our method of accounting across all divisions for certain freight, distribution, and employee benefits costs in 2005, which contributed \$45 million to the decrease, (2) 2005 foundation contributions, which contributed \$10 million to the decrease, partially offset by (3) the 2005 settlement of a class action lawsuit related to our purchases of high fructose corn syrup from 1991 to 1995, which decreased corporate unallocated expenses by \$23 million in 2005. In 2006, higher costs associated with our BPT initiative of \$28 million and higher employee-related costs of \$19 million, were partially offset by the favorable impact of certain other corporate items. Corporate unallocated expenses also reflect a gain of \$11 million in the first quarter of 2006 related to the revaluation of an asset held for sale. Corporate departmental expenses increased \$5 million.

Other Consolidated Results

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Bottling equity income	\$225	\$209	7%	\$485	\$430	13%
Interest expense, net	\$(12)	\$(21)	(43)%	\$(62)	\$(73)	(15)%
Tax rate	27.0%	53.8%		27.9%	38.6%	
Net income	\$1,481	\$864	71%	\$3,858	\$2,970	30%
Net income per common share – diluted	\$0.88	\$0.51	73%	\$2.28	\$1.74	31%

12 Weeks

Bottling equity income increased 7% primarily reflecting a \$61 million pre-tax gain on our sale of PBG stock in the quarter, which compared favorably to a \$41 million pre-tax gain in the prior year.

Net interest expense decreased 43% primarily reflecting higher average rates on our investments, as well as lower debt balances, partially offset by lower investment balances and higher average rates on our borrowings.

The tax rate decreased 26.8 percentage points compared to prior year primarily reflecting the absence of the \$468 million tax charge recorded in the third quarter of 2005 related to our repatriation of undistributed international earnings in connection with the American Jobs Creation Act (the 2005 AJCA tax charge). The tax rate in the current year also benefited from changes in our concentrate sourcing around the world, which is taxed at lower rates, as well as from the resolution of certain state income tax audits in the third quarter.

Net income increased 71% and the related net income per share increased 73%. These increases primarily reflect the absence of the AJCA tax charge, our solid operating profit growth, the decrease in our effective tax rate and the increased gains on our sale of PBG stock. Net income per share was also favorably impacted by our share repurchases.

36 Weeks

Bottling equity income increased 13% primarily reflecting a \$167 million pre-tax gain on our sale of PBG stock, which compared favorably to a \$105 million pre-tax gain in the prior year.

Net interest expense decreased 15% primarily reflecting higher average rates on our investments, as well as lower debt balances, partially offset by the impact of higher average rates on our borrowings and lower investment balances.

The tax rate decreased 10.7 percentage points compared to prior year primarily reflecting the absence of the 2005 AJCA tax charge. The tax rate in the current year also benefited from changes in our concentrate sourcing around the world, which is taxed at lower rates, as well as from the resolution of certain state income tax audits in the third quarter.

Net income increased 30% and the related net income per share increased 31%. These increases primarily reflect the absence of the AJCA tax charge, our solid operating profit growth, the decrease in our effective tax rate and the increased gains on our sale of PBG stock. Net income per share was also favorably impacted by our share repurchases.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. For additional information on our divisions, see [Our Divisions](#) in the Notes to the Condensed Consolidated Financial Statements.

Net Revenue

12 Weeks Ended	FLNA	PBNA	PI	QFNA	Total
Q3, 2006	\$2,642	\$2,608	\$3,298	\$402	\$8,950
Q3, 2005	\$2,461	\$2,520	\$2,839	\$364	\$8,184
% Impact of:					
Volume	3%	1% ^(a)	7% ^(a)	8%	4%
Effective net pricing	3	2	5	1	3
Foreign exchange	1	0.5	1	1	1
Acquisitions/divestitures	0.5	–	3	–	1
% Change^(b)	7%	3.5%	16%	10%	9%

(a) For beverages sold to our bottlers, net revenue volume growth is based on our concentrate shipments and equivalents.

(b) Amounts may not sum due to rounding.

Net Revenue

36 Weeks Ended

	FLNA	PBNA	PI	QFNA	Total
Q3, 2006	\$7,602	\$7,104	\$8,830	\$1,218	\$24,754
Q3, 2005	\$7,097	\$6,522	\$7,716	\$1,131	\$22,466

% Impact of:

Volume	3%	6% ^(a)	8% ^(a)	4.5%	5%
Effective net pricing	3	3	4	2	3
Foreign exchange	1	0.5	—	1	0.5
Acquisitions/divestitures	0.5	—	3	—	1
% Change^(b)	7%	9%	14%	8%	10%

(a) For beverages sold to our bottlers, net revenue volume growth is based on our concentrate shipments and equivalents.

(b) Amounts may not sum due to rounding.

Frito-Lay North America

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Net revenue	\$2,642	\$2,461	7%	\$7,602	\$7,097	7%
Operating profit	\$694	\$655	6%	\$1,897	\$1,788	6%

12 Weeks

Net revenue grew 7% reflecting volume growth of 3% and positive effective net pricing due to pricing actions and favorable mix. Favorable Canadian exchange rates also contributed almost 1 percentage point to net revenue growth. Pound volume grew primarily due to double-digit growth in SunChips and Multipack, and mid-single-digit growth in trademark Tostitos and Fritos, partially offset by a low-single-digit decline in trademark Doritos. Overall, salty snacks revenue grew 7% with volume growth of 3%, and other macro snacks revenue grew 10% with volume growth of 5%. The Stacy's Pita Chip Company (Stacy's) acquisition contributed approximately 0.5 percentage points to both revenue and volume growth.

Operating profit grew 6% primarily reflecting the revenue growth. This growth was partially offset by higher commodity costs, primarily energy and cooking oil.

Smart Spot eligible products represented approximately 15% of net revenue. These products experienced double-digit revenue growth, while the balance of the portfolio had mid-single-digit revenue growth.

36 Weeks

Net revenue grew 7% reflecting volume growth of 3% and positive effective net pricing due to salty snack pricing actions and favorable mix. Favorable Canadian exchange rates also contributed almost 1 percentage point to net revenue growth. Pound volume grew primarily due to double-digit

growth in SunChips, Chewy granola bars and Multipack, and mid-single-digit growth in Dips and trademark Tostitos. These volume gains were partially offset by a mid-single-digit decline in trademark Doritos. Overall, salty snacks revenue grew 7% with volume growth of 3%, and other macro snacks revenue grew 13% with volume growth of 9%. The Stacy's acquisition contributed approximately 0.5 percentage points to both revenue and volume growth.

Operating profit grew 6% primarily reflecting the revenue growth. This growth was partially offset by higher commodity costs, primarily cooking oil and energy.

Smart Spot eligible products represented approximately 15% of net revenue. These products experienced double-digit revenue growth, while the balance of the portfolio had mid-single-digit revenue growth.

PepsiCo Beverages North America

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Net revenue	\$2,608	\$2,520	3.5%	\$7,104	\$6,522	9%
Operating profit	\$603	\$628	(4)%	\$1,657	\$1,598	4%

12 Weeks

Net revenue grew 3.5% and BCS volume grew 4%. The volume increase was driven by a 13% increase in non-carbonated beverages, partially offset by a 2% decline in carbonated soft drinks (CSDs). The non-carbonated portfolio performance was driven by double-digit growth in trademark Aquafina and Lipton ready-to-drink teas, high-single digit growth in Gatorade, and double-digit growth in Tropicana juice drinks and Propel. Tropicana Pure Premium volume was flat. The decline in CSDs reflects a low-single-digit decline in trademark Pepsi, partially offset by a slight increase in trademark Mountain Dew and a low-single-digit increase in trademark Sierra Mist. Across the brands, regular CSDs experienced a low-single-digit decline, which was partially offset by a slight increase in diet CSDs. CSE lagged BCS volume growth by 2 percentage points due to the timing of shipments earlier in the year.

Net revenue also benefited from positive mix, reflecting the strength of non-carbonated beverages, and price increases taken in the first quarter of 2006, primarily on concentrate and fountain. These gains were partially offset by higher trade spending. Favorable Canadian foreign exchange rates contributed approximately 0.5 percentage points to net revenue growth.

Operating profit declined 4%, reflecting higher raw material costs, primarily oranges, increased supply chain costs in Gatorade and higher energy costs. Increased trade spending was partially offset by lower advertising and marketing expenses.

Smart Spot eligible products represented approximately 75% of net revenue. These products experienced high-single-digit revenue growth, while the balance of the portfolio declined in the mid-single-digit range.

36 Weeks

Net revenue grew 9% and BCS volume grew 5%. The volume increase was driven by a 17% increase in non-carbonated beverages, partially offset by a 2% decline in CSDs. The non-carbonated portfolio performance was driven by double-digit growth in Gatorade, trademark Aquafina, Lipton ready-to-drink teas, Tropicana juice drinks and Propel. Tropicana Pure Premium experienced a low-single-digit increase in volume. The decline in CSDs reflects a low-single-digit decline in trademark Pepsi, partially offset by low-single-digit increases in both trademark Mountain Dew and trademark Sierra Mist. Across the brands, both regular and diet CSDs experienced low-single-digit declines.

Net revenue also benefited from positive mix, primarily reflecting the strength of non-carbonated beverages, and price increases taken in the first quarter of 2006, primarily on concentrate and fountain. These gains were partially offset by higher trade spending. Favorable Canadian foreign exchange rates contributed approximately 0.5 percentage points to net revenue growth.

Operating profit increased 4%, reflecting the net revenue growth partially offset by higher raw material costs, primarily oranges, increased supply chain costs in Gatorade and higher energy costs. Increased trade spending was partially offset by lower advertising and marketing expenses. Additionally, the impact of a favorable insurance settlement of \$29 million in 2006 was fully offset by more-favorable settlements of trade spending accruals in 2005.

Smart Spot eligible products represented over 70% of net revenue. These products experienced double-digit revenue growth, while the balance of the portfolio increased in the low-single-digit range.

PepsiCo International

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Net revenue	\$3,298	\$2,839	16%	\$8,830	\$7,716	14%
Operating profit	\$554	\$473	17%	\$1,471	\$1,232	19%

12 Weeks

International snacks volume grew 12%, reflecting broad-based gains led by high-single-digit growth at Sabritas in Mexico and double-digit growth in Russia, Turkey and Egypt. Overall, the Europe, Middle East & Africa region grew 20%, the Latin America region grew 5% and the Asia Pacific region grew 14%. Acquisitions of two businesses in Europe in 2006 increased the Europe, Middle East & Africa region volume growth by 7 percentage points. The acquisition of a business in Australia increased the Asia Pacific region volume by 2 percentage points. In aggregate, acquisitions contributed 3 percentage points to the reported total PepsiCo International snack volume growth rate.

Beverage volume grew 8%, reflecting broad-based increases which were led by double-digit growth in the Middle East, China, Russia and Argentina. Overall, the Europe, Middle East & Africa region

grew 11%, the Latin America region grew 5.5% and the Asia Pacific region grew 5%. Acquisitions had no impact on the reported total PepsiCo International beverage volume growth rate. CSDs grew at a mid-single-digit rate while non-carbonated beverages grew at a double-digit rate.

Net revenue grew 16%, primarily as a result of the broad-based volume growth and favorable effective net pricing. Acquisitions contributed 3 percentage points of growth. Foreign currency contributed 1 percentage point of growth based on the favorable euro and British pound, partially offset by the unfavorable Mexican peso.

Operating profit grew 17%, driven primarily by the net revenue growth, partially offset by increased raw material and energy costs. In addition, the net gain from the sale of non-core cereal brands and a plant in the United Kingdom in the quarter contributed 4 percentage points of growth. Acquisitions had a slightly favorable impact on the growth rate. Foreign currency contributed 1 percentage point of growth based on the favorable British pound and euro, partially offset by the unfavorable Mexican peso.

36 Weeks

International snacks volume grew 10%, reflecting mid-single-digit growth at both Sabritas in Mexico and Walkers in the United Kingdom, and double-digit growth in Russia, Turkey and Egypt. Overall, the Europe, Middle East & Africa region grew 18%, the Latin America region grew 4% and the Asia Pacific region grew 15%. Acquisitions of two businesses in Europe in 2006 increased the Europe, Middle East & Africa region volume growth by 5 percentage points. The acquisition of a business in Australia increased the Asia Pacific region volume by 2 percentage points. In aggregate, acquisitions contributed 2 percentage points to the reported total PepsiCo International snack volume growth rate.

Beverage volume grew 10%, reflecting broad-based increases led by double-digit growth in the Middle East, China, Argentina, Russia and Venezuela, and low-single-digit growth in Mexico. Overall, the Europe, Middle East & Africa region grew 12%, the Asia Pacific region grew 11% and the Latin America region grew 7%. Acquisitions contributed 1 percentage point to the Europe, Middle East & Africa region volume growth rate and contributed slightly to the reported total PepsiCo International beverage volume growth rate. CSDs grew at a high-single-digit rate while non-carbonated beverages grew at a double-digit rate.

Net revenue grew 14%, primarily as a result of the broad-based volume growth and favorable effective net pricing. Acquisitions contributed nearly 3 percentage points of growth. Foreign currency had no impact on the growth rate.

Operating profit grew 19%, driven primarily by the net revenue growth, partially offset by increased raw material and energy costs. In addition, the net gain from the sale of non-core cereal brands and a plant in the United Kingdom in the third quarter contributed nearly 2 percentage points of growth. Acquisitions and foreign currency each had a slightly favorable impact on the growth rate.

Quaker Foods North America

	12 Weeks Ended			36 Weeks Ended		
	9/9/06	9/3/05	Change	9/9/06	9/3/05	Change
Net revenue	\$402	\$364	10%	\$1,218	\$1,131	8%
Operating profit	\$123	\$111	11%	\$389	\$369	5.5%

12 Weeks

Net revenue increased 10% and volume increased 8%. The volume increase primarily reflects double-digit growth in Oatmeal, high-single-digit growth in Aunt Jemima syrup and mix, and mid-single-digit growth in ready-to-eat cereals. Higher effective net pricing contributed 1 percentage point to net revenue growth, reflecting favorable product mix and price increases taken earlier in the year, partially offset by increased trade spending. Favorable Canadian foreign exchange rates also contributed approximately 1 percentage point to net revenue growth.

Operating profit increased 11% primarily reflecting the net revenue growth. This growth was partially offset by increased cost of sales, primarily due to higher raw material and energy costs.

Smart Spot eligible products represented approximately half of net revenue and had double-digit revenue growth. The balance of the portfolio experienced mid-single-digit growth.

36 Weeks

Net revenue grew 8% and volume increased 4.5%. The volume increase primarily reflects high-single-digit growth in Oatmeal, double-digit growth in Life cereal and low-single-digit growth in Aunt Jemima syrup and mix. Higher effective net pricing contributed over 2 percentage points to net revenue growth, primarily reflecting favorable product mix. Favorable Canadian foreign exchange rates contributed approximately 1 percentage point to net revenue growth.

Operating profit increased 5.5% primarily reflecting the net revenue growth. This growth was partially offset by increased cost of sales, primarily due to higher raw material and energy costs.

Smart Spot eligible products represented approximately half of net revenue and had double-digit revenue growth. The balance of the portfolio experienced low-single-digit growth.

OUR LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

During the 36 weeks, our operations provided \$4.3 billion of cash primarily reflecting our solid business results. Our operating cash flow in 2006 also reflects a tax payment of \$420 million related to our repatriation of international cash in 2005 in connection with the AJCA.

We make periodic regulatory contributions to our qualified pension plans during the course of the year. We also make annual discretionary contributions to these plans to maintain fully funded status.

on an accumulated benefit obligation (ABO) basis. For the full year 2006, we expect to make contributions to these plans of up to \$50 million, all of which will be non-discretionary. As a result of these contributions, we expect the assets for these plans to meet or exceed the liabilities for service to date as of September 30, 2006.

Investing Activities

During the 36 weeks, we used \$127 million for our investing activities. Capital spending of \$1.1 billion and acquisitions of \$444 million were mostly offset by net sales of short-term investments of \$1.1 billion and proceeds from our sale of PBG stock of \$285 million. The increase in capital spending over the prior year primarily reflects increased investments in our North American Gatorade business and at PepsiCo International, as well as increased support behind our ongoing BPT initiative. We anticipate net capital spending of approximately \$2.2 billion in 2006.

Financing Activities

During the 36 weeks, we used \$4.6 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of \$2.2 billion and dividend payments of \$1.4 billion. Net repayments of short-term borrowings of \$2.0 billion were partially offset by stock option proceeds of \$1.0 billion.

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. The table below reconciles net cash provided by operating activities as reflected in our Condensed Consolidated Statement of Cash Flows to our management operating cash flow.

	36 Weeks Ended	
	9/9/06	9/3/05
Net cash provided by operating activities	\$4,292	\$4,558
Capital spending	(1,130)	(796)
Sales of property, plant and equipment	37	65
Management operating cash flow	<u>\$3,199</u>	<u>\$3,827</u>

In the current year, management operating cash flow reflects our tax payment of \$420 million related to our repatriation of international cash in 2005 in connection with the AJCA, as well as increased capital spending. During 2006, we expect to return approximately all of our management operating cash flow to our shareholders through dividends and share repurchases. However, see “[Risk Factors](#)” in Item 1A. and “[Our Business Risks](#)” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for certain factors that may impact our operating cash flows.

Debt Obligations and Commitments

See [Debt Obligations and Commitments](#) in the Notes to the Condensed Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of September 9, 2006, the related Condensed Consolidated Statements of Income and Comprehensive Income for the twelve and thirty-six weeks ended September 9, 2006 and September 3, 2005, and the Condensed Consolidated Statements of Cash Flows for the thirty-six weeks ended September 9, 2006 and September 3, 2005. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 31, 2005, and the related Consolidated Statements of Income, Common Shareholders' Equity and Cash Flows for the year then ended not presented herein; and in our report dated February 24, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP

New York, New York
October 12, 2006

ITEM 4. 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 Securities and Exchange Commission 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.

In addition, there were no changes in our internal control over financial reporting during our third fiscal quarter of 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

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

On April 30, 2004, we announced that Frito-Lay and Pepsi-Cola Company received notification from the Securities and Exchange Commission (the “SEC”) indicating that the SEC staff was proposing to recommend that the SEC bring a civil action alleging that a non-executive employee at Pepsi-Cola and another at Frito-Lay signed documents in early 2001 prepared by Kmart acknowledging payments in the amount of \$3 million from Pepsi-Cola and \$2.8 million from Frito-Lay. Kmart allegedly used these documents to prematurely recognize the \$3 million and \$2.8 million in revenue. Frito-Lay and Pepsi-Cola have cooperated fully with this investigation and provided written responses to the SEC staff notices setting forth the factual and legal bases for their belief that no enforcement actions should be brought against Frito-Lay or Pepsi-Cola.

Based on an internal review of the Kmart matters, no officers of PepsiCo, Pepsi-Cola or Frito-Lay are involved. Neither of these matters involves any allegations regarding PepsiCo’s accounting for its transactions with Kmart or PepsiCo’s financial statements.

ITEM 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter, we completed our \$7 billion repurchase program announced on March 29, 2004 and expiring on March 31, 2007. On May 3, 2006, our Board of Directors authorized and publicly announced our new \$8.5 billion repurchase program, which expires on June 30, 2009. A summary of our common stock repurchases (in millions, except average price per share) during the third quarter is set forth in the following table. All such shares of common stock were repurchased pursuant to open market transactions.

Issuer Purchases of Common Stock

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
2004 Repurchase program				
6/17/06				\$370
6/18/06 – 7/15/06	3.6	\$60.29	3.6	(217)
				153
7/16/06 – 8/2/06	2.4	62.95	2.4	(153)
				–
2006 Repurchase program				
8/2/06 – 8/12/06	1.4	63.21	1.4	(88)
				8,412
8/13/06 – 9/9/06	3.8	64.59	3.8	(247)
Total	11.2	\$62.69	11.2	\$8,165

In addition, PepsiCo 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 third quarter:

Issuer Purchases of Convertible Preferred Stock

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
6/17/06				
6/18/06 – 7/15/06	3,400	\$301.32	N/A	N/A
7/16/06 – 8/12/06	700	317.81	N/A	N/A
8/13/06 – 9/9/06	7,000	321.60	N/A	N/A
Total	11,100	\$315.15	N/A	N/A

ITEM 6. Exhibits

See [Index to Exhibits](#) on page 36.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

PepsiCo, Inc.
(Registrant)

Date: October 12, 2006

/S/ PETER A. BRIDGMAN
Peter A. Bridgman
Senior Vice President and
Controller

Date: October 12, 2006

/S/ THOMAS H. TAMONEY, JR.
Thomas H. Tamoney, Jr.
Vice President, Deputy General
Counsel and Assistant Secretary
(Duly Authorized Officer)

INDEX TO EXHIBITS
ITEM 6

EXHIBITS

Exhibit 1.1	Programme Agreement dated July 21, 2006 between PepsiCo, Inc. and the Dealers named therein
Exhibit 3.2	By-laws of PepsiCo, Inc. as amended effective October 1, 2006
Exhibit 4.1	Agency Agreement dated July 21, 2006, by and among PepsiCo, Inc., JPMorgan Chase Bank and J.P. Morgan Bank Luxembourg S.A.
Exhibit 4.2	Deed of Covenant dated July 21, 2006 made by PepsiCo, Inc.
Exhibit 10.1	PepsiCo, Inc. Long-Term Incentive Plan, as amended and restated effective October 1, 2006
Exhibit 10.2	Form of Non-Employee Director Long-Term Incentive Award Agreement
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Letter re: Unaudited Interim Financial Information
Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Dated 21 July 2006

PEPSICO, INC.
as Issuer

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BANC OF AMERICA SECURITIES LIMITED
CITIGROUP GLOBAL MARKETS LIMITED
HSBC BANK PLC
J.P. MORGAN SECURITIES LTD.
MERRILL LYNCH INTERNATIONAL
MORGAN STANLEY & CO. INTERNATIONAL LIMITED
UBS LIMITED
as Dealers

PROGRAMME AGREEMENT
(as amended and restated)
in respect of a U.S.\$2,500,000,000
EURO MEDIUM TERM NOTE PROGRAMME



FRESHFIELDS BRUCKHAUS DERINGER

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THIS AGREEMENT is made on 21 July 2006

BETWEEN:

- (1) **PEPSICO, INC.** whose registered office is at 700 Anderson Hill Road, Purchase, New York, USA, 10577 (the **Issuer**);
- (2) **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.** of Vía de los Poblados, s/n, 28033 Madrid (**BBVA**);
- (3) **BANC OF AMERICA SECURITIES LIMITED** of 5 Canada Square, London E14 5AQ (**Banc of America**);
- (4) **CITIGROUP GLOBAL MARKETS LIMITED** of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (**Citigroup**);
- (5) **HSBC BANK PLC** of 8 Canada Square, London E13 5HQ (**HSBC**);
- (6) **J.P. MORGAN SECURITIES LTD.** of 125 London Wall, London, EC2Y 5AJ (**JPMorgan**);
- (7) **MERRILL LYNCH INTERNATIONAL** of Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ (**Merrill Lynch**);
- (8) **MORGAN STANLEY & CO. INTERNATIONAL LIMITED** of 25 Cabot Square, Canary Wharf, London E14 4QA (**Morgan Stanley**); and
- (9) **UBS LIMITED** of 1 Finsbury Avenue, London EC2M 2PP (**UBS**).

IT IS HEREBY AGREED as follows:

WHEREAS:

- (A) The Issuer and the Dealers entered into a Programme Agreement dated 9 April 1997 as amended by Supplemental Agreements dated 9 July 1999, 29 June 2000, 11 September 2001, 11 September 2002 and 17 September 2003 (the **Programme Agreement**) in respect of a U.S.\$2,500,000,000 Euro Medium Term Note Programme of the Issuer;
- (B) The parties hereto have agreed to make certain modifications to the Programme Agreement;
- (C) This Agreement amends and restates the Programme Agreement. Any Notes issued under the Programme on or after the date hereof shall be issued pursuant to this Agreement. This does not affect any Notes issued under the Issuer's Euro Medium Term Note Programme prior to the date of this Agreement; and

(D) Bear, Stearns International Limited and Lehman Brothers International (Europe) have resigned as Dealers under the Programme.

1. DEFINITIONS AND INTERPRETATION

1.1 All terms with initial capitals used herein, other than those defined in section 1.2 below, shall have the meanings given to them in the Agency Agreement dated 21 July 2006 or in the Terms and Conditions of the Notes.

1.2 For the purposes of this Agreement, except where the context requires otherwise:

Agency Agreement means the agreement of even date herewith as amended, supplemented or restated from time to time between the Issuer, the Agent and the other paying agents referred to therein under which the Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme;

Agent means JPMorgan Chase Bank, N.A. as Agent under the Agency Agreement and any successor agent appointed by the Issuer in accordance with the Agency Agreement;

Agreement Date means, in respect of any Note, the date on which agreement is reached for the issue of such Note as contemplated in Clause 2 which, in the case of Notes issued on a syndicated basis or otherwise in relation to which a Subscription Agreement is entered into, shall be the date upon which the relevant Subscription Agreement is signed by or on behalf of all the parties;

Arranger means Morgan Stanley and any company appointed to the position of arranger for the Programme or in respect of any particular issue of Notes under the Programme and references in this Agreement to the **Arranger** shall be references to the relevant Arranger;

Clearstream, Luxembourg means Clearstream Banking, société anonyme;

Confirmation Letter means:

- (a) in respect of the appointment of a third party as a Dealer for the duration of the Programme, the Confirmation Letter substantially in the form set out in Part II of Appendix C hereto; and
- (b) in respect of the appointment of a third party as a Dealer for one or more particular issue(s) of Notes under the Programme, the Confirmation Letter substantially in the form set out in Part IV of Appendix C hereto;

Dealer means each of BBVA, Banc of America, Citigroup, HSBC, JPMorgan, Merrill Lynch, Morgan Stanley and UBS and any New Dealer and excludes any entity whose appointment has been terminated pursuant to Clause 10 and notice of termination of whose appointment has been given to the Agent by the Issuer, and references in this Agreement to the **relevant Dealer** shall, in relation to any Note, be references to the

Dealer or Dealers with whom the Issuer has agreed the issue and purchase of such Note;

Dealer Accession Letter means:

- (a) in respect of the appointment of a third party as a Dealer for the duration of the Programme, the Dealer Accession Letter substantially in the form set out in Part I of Appendix C hereto; and
- (b) in respect of the appointment of a third party as a Dealer for one or more particular issue(s) of Notes under the Programme, the Dealer Accession Letter substantially in the form set out in Part III of Appendix C hereto;

Deed of Covenant means the deed poll dated 21 July 2006, substantially in the form set out in Schedule 4 to the Agency Agreement, executed as a deed by the Issuer in favour of certain accountholders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system;

Euroclear means Euroclear S.A./N.V., as operator of the Euroclear System;

Exchange Act means the United States Securities Exchange Act of 1934, as amended;

Final Terms means the final terms issued in relation to each Tranche of Notes (substantially in the form of Annexe C to the Procedures Memorandum) and giving details of that Tranche and, in relation to any particular Tranche of Notes, applicable Final Terms means the Final Terms applicable to that Tranche;

FSMA means the United Kingdom Financial Services and Markets Act 2000;

Group means the Issuer and its consolidated subsidiaries taken as a whole;

Initial Documentation List means the list of documents set out in Appendix A to this Agreement;

Lead Manager means in relation to any Tranche of Notes the person defined as Manager in any applicable Subscription Agreement or when only one Dealer signs such Subscription Agreement, such Dealer;

Listing Agent means, in relation to Notes which are, or are to be, listed on a Stock Exchange other than the London Stock Exchange, such listing agent as the Issuer may from time to time appoint for the purposes of liaising with such Stock Exchange;

London Stock Exchange means the Gilt Edged and Fixed Interest Market of the London Stock Exchange plc or such other body to which its functions have been transferred;

New Dealer means any entity appointed as an additional Dealer for the duration of the Programme or for a particular Tranche of Notes, whether pursuant to Clause 11 or pursuant to a Subscription Agreement;

NGN means a global Note which is intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations and where the applicable Final Terms specify the Notes are in NGN form;

Note means a note issued or to be issued by the Issuer pursuant to this Agreement, which Note may be represented by a Global Note or be in definitive form;

NYSE means the New York Stock Exchange, Inc.;

Official List means the Official List of the UKLA;

Procedures Memorandum means the Operating and Administrative Procedures Memorandum as amended or varied from time to time (in respect of any Tranche) by agreement between the Issuer and the relevant Dealer with the approval in writing of the Agent;

Programme means the Euro Medium Term Note Programme contemplated by this Agreement;

Prospectus means the Prospectus prepared in connection with the Programme and constituting a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as revised, supplemented or amended from time to time by the Issuer in accordance with subclause 3.4 including any documents which are from time to time incorporated in the Prospectus by reference, except that:

- (a) in relation to each Tranche of Notes only the applicable Final Terms shall be deemed to be included in the Prospectus; and
- (b) for the purpose of subclause 4.2 in respect of the Agreement Date and the Issue Date, the Prospectus means the Prospectus as at the Agreement Date, but without prejudice to (a) above not including any subsequent revision, supplement or amendment to it or incorporation of information in it;

Prospectus Directive means Directive 2003/71/EC;

Prospectus Regulation means Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive;

Prospectus Rules means, in the case of Notes which are to be listed on the London Stock Exchange, the prospectus rules made under the FSMA;

Relevant Party means each Dealer, each of its representatives, directors, officers, employees and each of its affiliates and agents and each person who controls such Dealer (within the meaning of section 15 of the Securities Act and section 20 of the Exchange Act);

Securities Act means the United States Securities Act of 1933, as amended;

Securities Commission means the United States Securities and Exchange Commission or any successor thereto;

Stock Exchange means the London Stock Exchange, or any other or further stock exchange(s) within the European Economic Area on which any Notes may from time to time be listed or admitted to trading, and references in this Agreement to the **relevant Stock Exchange(s)** shall, in relation to any Notes, be references to the Stock Exchange(s) on which such Notes are from time to time, or are intended to be, listed or admitted to trading;

Subscription Agreement means an agreement (by whatever name called) in or substantially in the form set out in Appendix E hereto or such other form as may be agreed between the Issuer and the Lead Manager which agreement shall be supplemental to this Agreement; and

UKLA means the United Kingdom Financial Services Authority in its capacity as competent authority under the FSMA.

1.3 Terms and expressions defined in the Agency Agreement, the Conditions and/or the Final Terms applicable to any Notes and not otherwise defined in this Agreement shall have the same meanings in this Agreement, except where the context otherwise requires.

1.4 In this Agreement, clause headings are inserted for convenience and ease of reference only and shall not affect the interpretation of this Agreement.

1.5 All references in this Agreement to the provisions of any statute shall be deemed to be references to that statute as from time to time modified, extended, amended or re-enacted.

1.6 All references in this Agreement to an agreement, instrument or other document (including this Agreement, the Agency Agreement, the Deed of Covenant, any Series of Notes and any Conditions appertaining thereto) shall be construed as a reference to that agreement, instrument or document as the same may be amended, modified, varied, supplemented, replaced or novated from time to time including, but without prejudice to the generality of the foregoing, this Agreement as supplemented by any Subscription Agreement.

1.7 Words denoting the singular number only shall include the plural number also and *vice versa*; words denoting the masculine gender only shall include the feminine gender also; and words denoting persons only shall include firms and corporations and *vice versa*.

1.8 All references in this Agreement to Euroclear and/or Clearstream, Luxembourg shall, wherever the context so permits, be deemed to include reference to any additional or alternative clearing system approved by the Issuer and the Agent.

1.9 In the case of NGNs, such additional or alternative clearing system must also be authorised to hold such Notes as eligible collateral for Eurosystem monetary policy and intra-day credit operations.

1.10 References in this Agreement to a Directive include any relevant implementing measure of each Member State of the European Economic Area which has implemented such Directive.

2. AGREEMENTS TO ISSUE AND PURCHASE NOTES

2.1 Subject to the terms and conditions of this Agreement, the Issuer may from time to time agree with any Dealer to issue, and any Dealer may agree to purchase, Notes.

2.2 On each occasion upon which the Issuer and any Dealer agree on the terms of the issue and purchase of one or more Notes by such Dealer:

- (a) the Issuer shall cause such Notes (which shall be initially represented by a Temporary Global Note unless otherwise specified in the applicable Final Terms) to be issued and delivered: if the Notes are not NGNs, to a common depositary or, if the Notes are NGNs, to a common safekeeper, in each case for Euroclear and Clearstream, Luxembourg so that the securities account(s) with Euroclear and/or with Clearstream, Luxembourg (as specified by such Dealer) is/are credited with such Notes on the agreed Issue Date, as described in the Procedures Memorandum; and
- (b) the relevant Dealer shall, subject to such Notes being so credited, cause the net purchase moneys for such Notes to be paid in the relevant currency by transfer of funds to the relevant account of the Agent for payment by the Agent to the Issuer, or (in the case of syndicated issues) the Issuer with Euroclear and/or Clearstream, Luxembourg so that such payment is credited to such account for value on such Issue Date, as described in the Procedures Memorandum.

2.3 Unless otherwise agreed between the Issuer and the relevant Dealers, where more than one Dealer has agreed with the Issuer to purchase a particular Tranche of Notes pursuant to this Clause, the obligations of such Dealers so to purchase the Notes shall be joint and several.

2.4 Where the Issuer agrees with two or more Dealers to issue, and such Dealers agree to purchase, Notes on a syndicated basis, the Issuer shall enter into a Subscription Agreement with such Dealers. The Issuer may also enter into a Subscription Agreement with one Dealer only.

2.5 The procedures which the parties intend should apply for the purposes of issues not to be subscribed pursuant to a Subscription Agreement are set out in Part 1 of the Procedures Memorandum, as varied from time to time by agreement between the Issuer, the relevant Dealer and the Agent. The procedures which the parties intend should apply for the purposes of issues to be subscribed pursuant to a Subscription Agreement are set out in Part 2 of the Procedures Memorandum, as varied from time to time by agreement between the Issuer, the relevant Lead Manager and the Agent.

2.6 Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply (including on the date hereof, without limitation, Yen and Sterling) will only be issued in

circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. Without prejudice to the generality of the foregoing:

- (a) Notes denominated in Yen or in respect of which amounts are payable in Yen will only be issued in compliance with applicable Japanese laws, regulations, guidelines and policies. The Issuer or the relevant Dealer(s)/Lead Manager on behalf of the Issuer will in relation to any issue of Notes denominated in Yen with a nominal amount equal to or greater than ¥10,000,000,000 report to the Ministry of Finance of Japan details of that issue of Notes in the form from time to time required by the Ministry of Finance of Japan prior to the pre-closing of the issue or, if earlier, prior to public announcement, if any, of the issue. The Issuer or its designated agent shall submit such reports or information as may be required from time to time by applicable laws, regulations and guidelines promulgated by Japanese authorities in the case of the issue and purchase of such Notes.
- (b) In relation to each issue of Notes denominated in Sterling, the Issuer will comply with all applicable laws and regulations (as amended from time to time) of United Kingdom authorities and relevant in the context of the issue of such Notes.

The restrictions set out in Clauses (a) to (b) above in relation to the currencies mentioned in such Clauses shall only apply insofar as they are consistent with the relevant regulations of the appropriate regulatory bodies or necessary to comply with applicable laws, guidelines, regulations, restrictions or reporting requirements from time to time. On each occasion when any such regulatory body amends or introduces any relevant regulation, the restrictions above shall be deemed to be amended accordingly.

3. CONDITIONS OF ISSUE; UPDATING OF LEGAL OPINIONS

First issue

3.1 Before the Issuer reaches its first agreement, on or after the date of this Agreement, with any Dealer for the issue and purchase of Notes, each Dealer shall have received, and found satisfactory (in its reasonable opinion) all of the documents and confirmations described in the Initial Documentation List. Any Dealer must notify the Arranger and the Issuer within seven business days of receipt of the documents and confirmations described in the Initial Documentation List if it considers any to be unsatisfactory in its reasonable opinion.

3.2 The obligations of a Dealer under any agreement for the issue and purchase of Notes made pursuant to Clause 2 are conditional upon:

- (a) there shall not have been (i) any material adverse change (or development involving a prospective material adverse change) in the business, properties, earnings, or financial condition of the Group, (ii) the occurrence of any event making untrue or incorrect to an extent which is material in the context of the issue and offering of the Notes any of the warranties contained in Clause 4, or

- (iii) any suspension or material limitation of trading in the Issuer's capital stock by the Securities Commission or the NYSE (the events described in the foregoing sub-paragraphs (i) to (iii), the **Issuer-Specific Events**), the effect of any of which Issuer-Specific Events shall have made it impracticable, in the reasonable judgment of any such Dealer, to offer or sell such Notes on the issue terms agreed between the Issuer and such Dealer, such judgment to be based on relevant market conditions;
- (b) there being no outstanding material breach of any of the obligations of the Issuer under this Agreement, any of the Notes, the Agency Agreement or the Deed of Covenant which has not been waived by the Dealer on or prior to the proposed Issue Date;
- (c) subject to Clause 12, the aggregate nominal amount of the Notes to be issued, when added to the aggregate nominal amount of all Notes outstanding (as defined in the Agency Agreement) on the proposed Issue Date (excluding for this purpose Notes due to be redeemed on such Issue Date) not exceeding U.S.\$2,500,000,000 or its equivalent in other currencies as determined pursuant to Clause 3.5;
- (d) in the case of Notes which are intended to be listed, the relevant Stock Exchange (and, in the case of Notes to be admitted to the Official List and admitted to trading on the London Stock Exchange, the UKLA) having agreed to list such Notes;
- (e) no meeting of the holders of any Notes of the Issuer having been duly convened but not yet held or, if held but adjourned, the adjourned meeting having not been held and the Issuer not being unaware of any circumstances which are likely to lead to the convening of such a meeting;
- (f) there having been, between the Agreement Date and the Issue Date for such Notes (i) any suspension or material limitation of trading in securities generally on the NYSE or the London Stock Exchange, (ii) a declaration of a general moratorium on commercial banking activities in New York by either Federal or New York State authorities or in the principal financial centre of the Specified Currency or Currencies applicable to the Notes by the relevant regulatory authorities, or (iii) any outbreak or material escalation of hostilities or other national or international calamity or crisis (the events described in the foregoing clauses (i) to (iii), the **Market Events**), the effect of any of which Market Events shall have made it impracticable, in the reasonable judgment of the Dealer, to offer or sell such Notes, such judgment to be based on relevant market conditions, including, without limitation, the impact of such Market Event on debt securities having substantially similar characteristics as the Notes;
- (g) the forms of the Final Terms, any Temporary Global Note, the Permanent Global Note and the Definitive Notes in relation to the relevant Tranche and the relevant settlement procedures having been agreed by the Issuer, the relevant Dealer and the Agent;

- (h) the relevant currency being accepted for settlement by Euroclear and Clearstream, Luxembourg;
- (i) any calculations or determinations which are required by the relevant Conditions to have been made prior to the Issue Date having been duly made;
- (j) in the case of Notes which are intended to be listed on a European Economic Area Stock Exchange or offered to the public in a European Economic Area Member State in circumstances which require, or but for the fact that the denomination of the Notes is €50,000 (or its equivalent in any other currency) would require, the publication of a prospectus under the Prospectus Directive;
 - (i) the denomination of the Notes being €50,000 (or its equivalent in any other currency) or more; and
 - (ii) either (A) there being no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Notes which are intended to be listed or (B) if there is such a significant new factor, material mistake or inaccuracy, a supplement to the Prospectus having been published in accordance with the Prospectus Directive pursuant to Clause 5.3;
- (k) in the case of Notes which are intended to be listed on the London Stock Exchange the Prospectus having been approved as a base prospectus by the Financial Services Authority and having been published in accordance with the Prospectus Directive;
- (l) in the case of the Notes which are intended to be listed on a European Economic Area Stock Exchange (other than the London Stock Exchange) or offered to the public in a European Economic Area Member State (other than the United Kingdom) in circumstances which require the publication of a prospectus under the Prospectus Directive, the competent authority of each relevant European Economic Area Member State having been notified in accordance with the procedures set out in Articles 17 and 18 of the prospectus Directive and all requirements under those Articles having been satisfied and, if required pursuant to Article 19(4) of the Prospectus Directive, a summary having been drawn up;
- (m) if the applicable Final Terms indicate that the Notes are to be represented by Global Notes which are to be NGNs, the delivery of the programme effectuation authorisation in or substantially in the form set out in Appendix G of this Agreement; and
- (n) if the applicable Final Terms indicate that the Notes are to be represented by Global Notes which are to be NGNs, the execution of the Issuer-ICSDs agreement in or substantially in the form set out in Appendix H of this Agreement.

In the event that any of the foregoing conditions is not satisfied, the relevant Dealer shall be entitled (but not bound) by notice to the Issuer to be released and discharged from its obligations under the agreement reached under Clause 2.

Waiver

3.3 Any Dealer, on behalf of itself only, may by notice in writing to the Issuer waive any of the conditions precedent contained in Clauses 3.1 and 3.2 (save for the condition precedent contained in Clause 3.2(c)) in so far as they relate to an issue of Notes to that Dealer.

Updating of legal opinions

3.4 (a) If following the first anniversary of the date of this Agreement (and on each subsequent anniversary during the term of the Programme), the Programme has not been terminated by the Issuer pursuant to Clause 10 below, the Issuer will procure (at its own expense) that a further legal opinion or further legal opinions from legal advisers in the United States of America (which legal advisers may be employees of the Issuer) and/or England, as the case may be, in substantially the same form and content as those delivered according to the Initial Documentation List (any such opinion a **Legal Opinion** and collectively **Legal Opinions**), is or are delivered, at the expense of the Issuer, to the Dealers.

(b) If the Issuer and one or more Dealers contemplate a new issuance of listed Notes, such Dealer(s) and the Issuer may agree that, as a condition precedent to the closing of such issue, the Issuer deliver a Legal Opinion or Legal Opinions (with appropriate modifications after taking into account any change in law referred to below), as the case may be, provided that such Legal Opinion or Legal Opinions will, in any event, only be provided if a change in law has occurred subsequent to the later of the date of (i) the first Legal Opinion delivered pursuant to this Agreement or (ii) the last delivery of a Legal Opinion or Legal Opinions pursuant to Clause 3.4(a) or this Clause 3.4(b), which change of law renders the conclusions of such Legal Opinion or Legal Opinions materially incorrect.

Determination of amounts outstanding

3.5 For the purposes of Clause 3.2(c):

- (a) the U.S. dollar equivalent of Notes denominated in a currency other than U.S. dollars shall be determined, at the discretion of the Issuer, either as of the Agreement Date for such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of the relevant currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Indexed Notes and Partly Paid Notes shall be calculated in the manner specified above by reference to

the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid); and

- (c) the U.S. dollar equivalent of Zero Coupon Notes and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

4. REPRESENTATIONS AND WARRANTIES

4.1 As at the date of this Agreement the Issuer hereby warrants to and agrees with the Dealers and each of them as follows:

- (a) that the Prospectus contains all information with regard to the Group and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder, that the information contained in the Prospectus with respect to the Group and the Notes is true and accurate in all material respects and is not materially misleading, that the opinions and intentions expressed therein with respect to the Group and the Notes are honestly held, that there are no other facts with respect to the Group or the Notes the omission of which would make the Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that the Issuer has made all reasonable enquiries to ascertain all facts and to ensure the accuracy of all statements material for the purposes aforesaid;
- (b) that the most recently publicly available audited consolidated annual financial statements of the Issuer and its consolidated subsidiaries were prepared in accordance with the requirements of law and with accounting principles generally accepted in the United States of America, consistently applied and they present fairly the financial condition of the Issuer or the consolidated financial condition of the Group, as the case may be, as at the date to which they were prepared (the **relevant date**) and of the results of the operations of the Issuer or the Group, as the case may be, for the financial year ended on the relevant date and that there has been no material adverse change or any development involving a prospective material adverse change in the condition or general affairs, financial or otherwise, of the Issuer or the Group since the relevant date, except as disclosed in the Prospectus;
- (c) that the Issuer is a company duly incorporated and validly existing under the laws of the State of North Carolina, with full power to conduct its business as described in the Prospectus;
- (d) that the Prospectus contains all the information required by section 87A of the FSMA and otherwise complies with the Prospectus rules and also contains all the information required by English law and regulations and otherwise complies with such law and regulations to the extent applicable to the Programme and has been published as required by the Prospectus Directive;
- (e) that, to the knowledge of the Issuer, all consents, approvals, authorisations, orders and clearances of all regulatory authorities required by the Issuer for or

in connection with the creation and offering of Notes under the Programme, the execution and issue of, and compliance by the Issuer with the terms of, Notes (including any Global Note), Receipts and Coupons issued by it under the Programme and the execution and delivery of, and compliance with the terms of, this Agreement, the Agency Agreement and the Deed of Covenant have been obtained and are in full force and effect;

- (f) that the execution and delivery of this Agreement, the Agency Agreement and the Deed of Covenant, the issue, offering and distribution of Notes and the performance of the terms of the Notes, this Agreement, the Agency Agreement and the Deed of Covenant do not and will not conflict with or result in a material breach of any existing provisions of any law or regulation and are not contrary to any of the terms or provisions of the Articles of Incorporation of the Issuer and will not result in any material breach of the terms of, or constitute a default under, any agreement or other instrument or restriction whether statutory, contractual or otherwise binding upon the Issuer or any of its subsidiaries that is material to the Group;
- (g) that the issue of Notes by the Issuer and the execution and delivery of this Agreement, the Agency Agreement and the Deed of Covenant by the Issuer has been duly authorised by the Issuer and, in the case of Notes, upon due execution, issue and delivery in accordance with the Agency Agreement, will constitute, and, in the case of this Agreement, the Agency Agreement and the Deed of Covenant constitute, legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, except as such enforceability may be limited by the laws of bankruptcy, insolvency, reorganisation, fraudulent conveyance, moratorium, or similar laws relating to creditors' rights generally, by any other federal laws of the United States or any state laws, by rights of acceleration, by general principles of equity, or by the discretion of any court before which any proceeding therefor may be brought;
- (h) that no Event of Default or event which with the giving of notice or lapse of time or other condition would constitute an Event of Default is subsisting in relation to any outstanding Note and no event has occurred which would constitute (after an issue of Notes) an Event of Default thereunder or which with the giving of notice or lapse of time or other condition would (after an issue of Notes) constitute such an Event of Default;
- (i) except as disclosed in the Prospectus, that neither the Issuer nor any other member of the Group is involved in nor are there any governmental, legal or arbitration proceedings involving any member of the Group, to the knowledge of the Issuer, pending or threatened which may have or have had in the 12 months preceding the date hereof a significant adverse effect on the Issuer's and/or the Group's financial position or profitability;
- (j) that neither the Issuer, nor any affiliate (as defined in Rule 405 under the Securities Act) of it, nor any person (other than the Dealers) acting on behalf of any of the foregoing persons has engaged or will engage in any directed

selling efforts (as defined in Regulation S under the Securities Act) with respect to the Notes and each of the foregoing persons has complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act;

- (k) that the Issuer is not required to register as an investment company (as defined in the United States Investment Company Act of 1940, as amended (the ***Investment Company Act***)) under the Investment Company Act; and
- (l) that in relation to each Tranche of Notes for which a Dealer is named as a stabilising manager in the applicable Final Terms, it has not issued and will not issue, without the prior consent of that Dealer, any press or other public announcement referring to the proposed issue of Notes unless the announcement adequately discloses that stabilising action may take place in relation to the Notes to be issued.

4.2 With regard to each issue of Notes, the Issuer shall be deemed to repeat the warranties and agreements contained in Clause 4.1 as at the Agreement Date for such Notes (any agreement on such Agreement Date being deemed to have been made on the basis of, and in reliance on, such warranties and agreements) and as at the Issue Date of such Notes.

4.3 The warranties and agreements contained in this Clause shall continue in full force and effect notwithstanding the actual or constructive knowledge of any Dealer with respect to any of the matters referred to in the representations and warranties set out above, any investigation by or on behalf of the Dealers or completion of the subscription and issue of any Notes.

5. UNDERTAKINGS OF THE ISSUER

Notification of material developments

5.1 The Issuer shall promptly after becoming aware of the occurrence thereof notify each Dealer of any Event of Default or any condition, event or act which, with the giving of notice and/or the lapse of time (after an issue of Notes) would constitute an Event of Default or any breach of the representations and warranties or undertakings contained in this Agreement, the Agency Agreement or the Deed of Covenant or any of them.

5.2 If, following the time of an agreement under Clause 2 and before the issue of the relevant Notes, the Issuer becomes aware that the conditions specified in Clause 3.2 will not be satisfied in relation to that issue, the Issuer shall forthwith notify the relevant Dealer to this effect giving full details thereof. In such circumstances, the relevant Dealer shall be entitled (but not bound) by notice to the Issuer to be released and discharged from its obligations under the agreement reached under Clause 2. Without prejudice to the generality of the foregoing, the Issuer shall from time to time promptly furnish to each Dealer copies of all periodic reports filed by the Issuer pursuant to the Exchange Act.

Updating of Prospectus

- 5.3 (a) On or before each anniversary of the date of this Agreement, the Issuer shall update or amend the Prospectus (following consultation with the Arranger who will consult with the Dealers) by the publication of a new Prospectus or a supplement to the Prospectus, in each case in a form satisfactory to the Dealers.
- (b) In the event of a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the Notes arising or being noted, the Issuer shall notify the Dealers of such event and update or amend the Prospectus by the publication (in accordance with the Prospectus Directive) of a supplement to it or a new prospectus.
- (c) Notwithstanding paragraph (b), in relation to each tranche of Notes, the Issuer undertakes that in the period from and including the Agreement Date to and including the issue date of such Notes, in each case for such tranche, it will only prepare and publish a supplement to the Prospectus if required, or it has reasonable grounds to believe that it is required, to do so to comply with section 87G of the FSMA and, in such circumstances, the supplement shall, solely as between the relevant Issuer and the relevant Dealer and solely for the purposes of section 87Q(4) of the FSMA and Clause 5.1 of this Agreement, be deemed to have been prepared and published so as to comply with section 87G of the FSMA.

Listing

5.4 The Issuer confirms that it has made or caused to be made an application (at the expense of the Issuer) for Notes issued under the Programme to be admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange or on such other Stock Exchange in the European Economic Area as the Issuer and the Dealers may agree, and (2) will use all reasonable endeavours to obtain and maintain such listing. Upon agreement to issue Notes which are to be listed being reached under Clause 2 above the Issuer will use all reasonable endeavours to obtain and, whilst any such Notes are outstanding, maintain such listing.

5.5 If, in relation to any issue of Notes, it is agreed between the Issuer and the relevant Dealer(s) to list such Notes on another Stock Exchange, the Issuer will use all best endeavours to obtain and maintain the listing of such Notes on such Stock Exchange.

5.6 The Issuer shall comply with any undertakings given by it from time to time to the relevant Stock Exchange in connection with any Notes listed on such Stock Exchange or the listing thereof and, without prejudice to the generality of the foregoing, shall furnish or procure to be furnished to the relevant Stock Exchange all such information as the relevant Stock Exchange may require in connection with the listing on such Stock Exchange of any Notes. For the avoidance of doubt, where the Issuer has obtained the listing of Notes on a regulated market in the European Economic Area, the undertaking extends to maintaining that listing or, if this is not

possible, to obtaining listing of the relevant Notes on another European Economic Area regulated market.

5.7 If any Notes cease to be listed on the relevant Stock Exchange, the Issuer shall use its best endeavours promptly to list such Notes on a stock exchange to be agreed between the Issuer and the relevant Dealer (which, in any event, shall be any **Designated Offshore Securities Market** described in paragraph (a)(1) of Rule 902 under Regulation S made pursuant to the Securities Act).

Agency Agreement and Deed of Covenant

5.8 The Issuer undertakes that it will not without prior notification to the Dealers, terminate the Agency Agreement or the Deed of Covenant or effect or permit to become effective any amendment to any such agreement or deed which, in the case of an amendment, would materially and adversely affect the interests of any holder of Notes issued before the date of such amendment, and the Issuer will promptly notify each of the Dealers of any termination of, or amendment to, the Agency Agreement or the Deed of Covenant and of any change in the Agent or paying agent(s) under the Agency Agreement.

Lawful compliance

5.9 The Issuer will at all times ensure that all necessary action is taken and all necessary conditions are fulfilled (including, without limitation, the obtaining of all necessary consents) so that it may lawfully comply with its obligations under any Notes, this Agreement, the Agency Agreement and the Deed of Covenant and, further, so that it may comply with any applicable laws, regulations and guidance from time to time promulgated by any governmental and regulatory authorities relevant in the context of the issue of Notes.

Authorised representative

5.10 The Issuer will notify the Dealers promptly in writing if any of the persons named in the list referred to in paragraph 3 of the Initial Documentation List ceases to be authorised to take action on behalf of the Issuer or if any additional person becomes so authorised together, in the case of an additional authorised person, with evidence satisfactory to the Dealers that such person has been so authorised.

Auditors' comfort letters

5.11 The Issuer will:

- (a) at the time of the preparation of the Prospectus;
- (b) subject as provided below, upon each occasion when the Prospectus is amended, updated, revised or supplemented (insofar as such amendment, up-dating, revision or supplement concerns or contains financial information about the Issuer and the Group); and

(c) at other times whenever so requested by the Dealers or any of them (on the basis of reasonable grounds),

deliver, at the expense of the Issuer, to the Dealers a comfort letter or comfort letters from the independent registered public accounting firm of the Issuer, in such form and with such content as the Dealers (or any of them) may reasonably request, provided that no such comfort letter or comfort letters will be delivered under subparagraph (b) above if the only material amendment, update, revision or supplement concerned is the publication or issue of any annual or interim financial statements of the Issuer and the Group (save where such revision, supplement or amendment occurs in accordance with Clause 5.3).

No other issues

5.12 During the period commencing on an Agreement Date in respect of any listed Notes and ending on the Issue Date with respect to those Notes, the Issuer will not, without the prior consent of the relevant Dealer(s), issue or agree to issue any other listed notes, bonds or other debt securities of whatsoever nature (other than Notes to be issued under the Programme to the same Dealer(s)) where such notes, bonds or other debt securities would have the same maturity and currency as the Notes to be issued on the relevant Issue Date, provided, that the foregoing restriction shall not apply to issuances or agreements to issue notes, bonds or other debt securities of the Issuer, issued or to be issued under any U.S. shelf registration programme of the Issuer under any Japanese shelf registration of the Issuer, or under any commercial paper programme.

Information on Noteholders' meetings

5.13 The Issuer will, at the same time as it is despatched, furnish the Dealers with a copy of every notice of a meeting of the holders of the Notes (or any of them) and which is despatched at the instigation of the Issuer and will notify the Dealers immediately upon its becoming aware that a meeting of the holders of the Notes (or any of them) has been convened by holders of such Notes.

Rating

5.14 The Issuer undertakes promptly to notify the Dealers of any change in the rating given by Moody's Investors Service, Standard & Poor's Ratings Services and/or such other rating agency as notified to the Dealers for any of its debt or upon it becoming aware that such rating is listed on 'Creditwatch' or other similar publication of formal review by the relevant rating agency.

Offers to the public in France

5.15 The Issuer undertakes that it will not offer any Notes, directly or indirectly, to the public in France.

5.16 In respect of any Tranche of Notes which has a maturity of less than one year, the Issuer will issue such Notes only if the following conditions apply (or the Notes can otherwise be issued without contravention of section 19 of the FSMA):

- (a) each relevant Dealer represents, warrants and agrees in the terms set out in Clause 2(c) of Appendix B; and
- (b) the redemption value of each such Note is not less than £100,000 (or an amount of equivalent value denominated wholly or partly in a currency other than sterling), and no part of any Note may be transferred unless the redemption value of that part is not less than £100,000 (or such an equivalent amount).

6. INDEMNITY

6.1 The Issuer undertakes with each Dealer that if that Dealer or any Relevant Party relating to the Dealer incurs any losses, claims, damages, liabilities, costs or expenses (including without limitation, legal fees, costs and expenses) (a **Loss**) arising out of in connection with, or based upon, or caused by:

- (a) any untrue statement or allegedly untrue statement of a material fact contained in the Prospectus or any document incorporated herein by reference, or arise out of, are based upon or are caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; or
- (b) any actual or alleged breach of the representations and warranties and/or undertakings contained in, or made or deemed to be made pursuant to, this Agreement by the Issuer,

the Issuer shall pay to the Dealer on demand an amount equal to such Loss, save to the extent that the Loss arises out of or in connection with a violation by such Dealer of the provisions of Clause 8 hereof (except to the extent that such violation occurs as a direct result of a violation by the Issuer of its obligations under Clause 5.2 hereof). This undertaking to make payment will be in addition to any liability which the Issuer may otherwise have under this Agreement. No Dealer shall have any duty or obligation, whether as fiduciary or trustee, for any Relevant Party or otherwise, to recover any such payment or to account to any person for any amounts paid to it under this Clause 6.1.

6.2 In case any claims, actions, proceedings, (including any governmental investigation) shall be instituted involving any Relevant Party in respect of which payment may be sought pursuant to Clause 6.1, the relevant Dealer will promptly notify the Issuer in writing and the Issuer, upon request of such Dealer will retain counsel reasonably satisfactory to such Dealer to represent the Relevant Party and any others the Issuer may designate in such proceedings and will pay the reasonable fees and disbursements of such counsel related to such proceedings. In any such

proceedings, any Relevant Party will have the right to retain its own counsel, but the fees and expenses of such counsel will be borne by the Relevant Party unless:

- (a) the Issuer and such Dealer shall have mutually agreed to the retention of such counsel; or
- (b) the named parties to any such claims, actions, proceedings (including any impleaded parties) include both the Issuer and the Relevant Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them.

6.3 It is understood that the Issuer will not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm for all such Relevant Party and that all such reasonable fees and expenses will be reimbursed as they are incurred.

6.4 The Issuer will not be liable for any settlement of any proceedings effected without its written consent (such consent not to be unreasonably withheld or delayed), but if settled with such consent or if such consent is unreasonably withheld or delayed, or if there shall be a final judgment for the plaintiff, the Issuer agrees to pay the Dealer an amount equal to any Loss by reason of such settlement or judgment.

6.5 The immediately preceding sentence notwithstanding, if at any time a Dealer shall have requested the Issuer for reasonable fees and expenses of counsel as contemplated by the first sentence of Clause 6.1, the Issuer agrees that it will be liable for any settlement of any proceeding effected without its written consent if:

- (a) such settlement is entered into more than 30 days after receipt by the Issuer of the aforesaid request; and
- (b) the Issuer shall not have reimbursed the Dealer in accordance with such request prior to the date of such settlement.

6.6 The Issuer shall not, without the prior written consent of the relevant Dealer (such consent not to be unreasonably withheld or delayed), effect any settlement of any pending or threatened proceedings in respect of which any Relevant Party is or could have been a party and payment could have been sought hereunder by such Dealer, unless such settlement includes an unconditional release of such Relevant Party from all liability on claims that are the subject matter of such proceedings.

6.7 Any provision of Clause 6.2 to the contrary notwithstanding, no failure by a Relevant Party to notify the Issuer as required hereunder will relieve the Issuer from any liability it may have had to a Relevant Party otherwise than under this Clause.

6.8 The remedies provided for in this Clause are not exclusive and will not limit any rights or remedies that may otherwise be available to a Relevant Party at law or in equity.

6.9 A Relevant Party who is not a party to this Agreement (a **Third Party**) may enforce the terms of this Clause subject to and in accordance with this Clause and

Clause 18 and any other relevant term of this Agreement and the provision of the Contracts (Rights of Third Parties) Act 1999.

6.10 As conditions precedent to bringing any proceedings to enforce the terms of this Clause, a Third Party which is (or was at the relevant time) a representative, director, officer, employee, affiliate, agent or person who controls a Dealer must:

- (a) obtain a written consent of such Dealer; and
- (b) give written notice to the Issuer in accordance with Clause 14 agreeing to be bound by Clause 18.

A Third Party which has given notice to the Issuer agreeing to be bound by Clause 18 shall be deemed to be included in the category of persons for whose benefit the Issuer has agreed to submit to the jurisdiction of the courts specified therein.

6.11 The parties to this Agreement do not require the consent of any person not a party to this Agreement to rescind or vary this Agreement at any time.

7. AUTHORITY TO DISTRIBUTE DOCUMENTS

Subject to Clause 8 below, the Issuer hereby authorises each of the Dealers on behalf of the Issuer to provide copies of and make statements consistent with the contents of the Prospectus and such additional information as the Issuer shall provide to the Dealers or approve for the Dealers to use in connection with the Programme or such other information as is in the public domain to actual and potential purchasers of Notes.

8. DEALERS' UNDERTAKINGS

8.1 Each Dealer agrees to comply with the restrictions and agreements set out in Appendix B hereto unless otherwise agreed with the Issuer. Each Dealer's obligations under this Clause are several.

8.2 Each Dealer severally undertakes with the Issuer that if the Issuer, its directors, officers, employees and agents and each person who controls the Issuer (within the meaning of section 15 of the Securities Act) incurs any Loss arising out of, or based upon, or caused by any breach by such Dealer of any of its obligations or agreements contained in Clause 8.1, such Dealer shall pay to the Issuer on demand an amount equal to such Loss, save to the extent that the Loss arises out of or in connection with a violation by the Issuer of the provisions of Clause 5.2; provided that no Dealer shall be liable for any Loss arising from the sale of Notes to any person believed in good faith by such Dealer, on reasonable grounds after making all reasonable investigations, to be a person to whom Notes could lawfully be sold in compliance with the provisions of Appendix B hereto. This undertaking to make payment will be in addition to any liability which any Dealer may otherwise have under this Agreement. The provisions of Clause 6.2 shall apply, *mutatis mutandis*, to any claim for payment made pursuant to this Clause.

8.3 The remedies provided for in this Clause are not exclusive and will not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

9. FEES, EXPENSES AND STAMP DUTIES

9.1 The Issuer undertakes that it will:

- (a) pay to each Dealer all commissions agreed between the Issuer and such Dealer in connection with the sale of any Notes to that Dealer (and any value added or similar tax thereon) or, in the absence of such agreement, the commissions as set out in Appendix F hereto; and
- (b) pay (together with any value added tax or similar tax thereon):
 - (i) the fees and expenses of its legal advisers and auditors; and
 - (ii) the cost of listing and maintaining the listing of any Notes to be issued under the Programme which are to be listed on a Stock Exchange.

9.2 The Issuer also undertakes that it will:

- (a) pay (together with any value added tax or similar tax thereon):
 - (i) the fees and expenses of the Agent and any paying agents;
 - (ii) all reasonable expenses in connection with the issue, authentication, packaging and initial delivery of Notes and the preparation of Global Notes, this Agreement, the Agency Agreement, the Deed of Covenant and the preparation and printing of Notes, the Prospectus and any amendments or supplements thereto (including the updating of any legal opinions issued pursuant to Clause 3.4 and of any auditors' comfort letters issued pursuant to Clause 5.11);
 - (iii) the cost of any publicity agreed by the Issuer in connection with an issue of Notes; and
 - (iv) the cost of obtaining credit ratings for the Programme;
- (b) pay to Morgan Stanley the reasonable fees and disbursements of Morgan Stanley and of legal advisers appointed by Morgan Stanley to represent the Dealers (including any value added tax or similar tax thereon) in connection with the negotiation, preparation, execution and delivery of this Agreement, the Agency Agreement, the Deed of Covenant and any documents referred to in any of them and any other documents required in connection with the creation of the Programme;
- (c) pay promptly, and in any event before any penalty becomes payable, any stamp, documentary, registration or similar duty or tax (including any stamp duty reserve tax) payable in connection with the entry into, performance, enforcement or admissibility in evidence of this Agreement, any

communication pursuant hereto, the Agency Agreement, the Deed of Covenant or any Note and indemnify each Dealer against any liability with respect to or resulting from any delay in paying or omission to pay any such duty or tax; and

- (d) reimburse each Dealer for its costs and expenses reasonably and properly incurred in protecting or enforcing any of its rights under this Agreement.

9.3 Each Dealer represents that it will reimburse the Issuer for its costs and expenses reasonably and properly incurred in protecting or enforcing any of its rights under this Agreement against such Dealer.

10. TERMINATION OF APPOINTMENT OF DEALERS

The Issuer or (as to itself) a Dealer may terminate the arrangements described in this Agreement by giving not less than 30 days' written notice to the other parties hereto. The Issuer may terminate the appointment of a Dealer or Dealers by giving not less than 30 days' written notice to such Dealer or Dealers (with a copy promptly thereafter to all the other Dealers and the Agent). Termination (including assignment or transfer in accordance with Clause 15.2) shall not affect any rights or obligations (including but not limited to those arising under Clauses 6, 8 and/or 9) which have accrued at the time of termination (including assignment or transfer in accordance with Clause 15.2) or which accrue to any act or omission or alleged act or omission which occurred prior to such time.

11. APPOINTMENT OF NEW DEALERS

11.1 Nothing in this Agreement shall prevent the Issuer from appointing one or more New Dealers for the duration of the Programme or, with regard to the issue of a particular Tranche of Notes, the Issuer appointing one or more New Dealers for the purposes of that Tranche, in either case upon the terms of this Agreement and provided that, unless such appointment is effected pursuant to a Subscription Agreement:

- (a) any New Dealer shall have first delivered a Dealer Accession Letter substantially in the respective forms set out in Part I or III to the Issuer (as appropriate) of Appendix C hereto; and
- (b) the Issuer shall have delivered to such New Dealer a Confirmation Letter substantially in the respective forms set out in Part II or Part IV (as appropriate) of Appendix C hereto,

whereupon such New Dealer shall, subject to the terms of the relevant Dealer Accession Letter and the relevant Confirmation Letter, become a party to this Agreement, vested with all authority, rights, powers, duties and obligations of a Dealer as if originally named as a Dealer hereunder provided further that, except in the case of the appointment of a New Dealer for the duration of the Programme, following the issue of the Temporary Global Note in respect of the relevant Tranche, the relevant New Dealer shall have no further such authority, rights, powers, duties or obligations except such as may have accrued or been incurred prior to, or in

connection with, the issue of such Temporary Global Note and the Notes represented thereby.

11.2 The Issuer shall promptly notify the other Dealers of any appointment of a New Dealer for the duration of the Programme by supplying to such parties a copy of any Dealer Accession Letter and Confirmation Letter. No such notice shall be required to be given in the case of an appointment of a New Dealer for a particular issue of Notes. Notice shall be given promptly in all cases by the Issuer to the Agent.

12. INCREASE IN THE AGGREGATE NOMINAL AMOUNT OF THE PROGRAMME

12.1 From time to time the Issuer may wish to increase the aggregate nominal amount of the Notes that may be issued under the Programme. In such circumstances, the Issuer may give notification of such an increase (subject as set out in Clause 12.2) by delivering to the Dealers the letter set out in Appendix D hereto. Upon such notice being given to the Dealers, all references in this Agreement, the Agency Agreement or any other agreement or deed in relation to the Programme to a Euro Medium Term Note Programme of a certain nominal amount, shall be and shall be deemed to be references to a Euro Medium Term Note Programme of the increased nominal amount.

12.2 Notwithstanding Clause 12.1, the right of the Issuer to increase the aggregate nominal amount of the Programme shall be subject to each Dealer having received all the documents and confirmations described in the Initial Documentation List (with such changes as may be relevant, with reference to the circumstances at the time of the proposed increase as are agreed between the Issuer and the Arranger), the production of a supplementary Prospectus by the Issuer and any further or other documents required by the relevant Stock Exchange(s) for the purpose of listing the Notes to be issued under the Programme on the relevant Stock Exchange(s). The Arranger shall circulate to the Dealers all the documents and confirmations described in the Initial Documentation List.

12.3 The Issuer shall give notice to the Agent of any increase in the aggregate nominal amount of the Programme.

13. COUNTERPARTS

This Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

14. COMMUNICATIONS

14.1 All communications shall be by telex, fax or letter delivered by hand or (but only where specifically provided in the Procedures Memorandum) by telephone. Each communication shall be made to the relevant party at the telex number, fax number or address or telephone number and, in the case of a communication by telex, fax or letter, marked for the attention of, or (in the case of a communication by telephone) made to, the person(s) or department from time to time specified in writing by that party to the other for the purpose. The initial telephone number, telex number, fax

number of and person(s) or department so specified by, each party are set out on the signature pages hereof.

14.2 A communication shall be deemed received (if by telex) when a confirmed answerback is received at the end of the transmission, (if by fax) when an acknowledgement of receipt is received, (if by telephone) when made or (if by letter) when delivered, in each case in the manner required by this clause. Every communication shall be irrevocable save in respect of any manifest error therein.

15. BENEFIT OF AGREEMENT

15.1 This Agreement shall be binding upon and shall inure for the benefit of the Issuer and each Dealer and their respective successors and permitted assigns.

15.2 The Dealers may only assign or transfer their rights or obligations under this Agreement with the prior written consent of the Issuer except for an assignment of all of a Dealer's rights and obligations hereunder in whatever form such Dealer determines may be appropriate to a partnership, corporation, trust or other organisation in whatever form that may succeed to all or substantially all of such Dealer's assets and business and that assumes such obligations by contract, operation of law or otherwise. If the Dealers assign their rights or transfer their obligations as provided in this Clause, the relevant assignee or transferee shall be treated as if it were a party to this Agreement with effect from the date on which such assignment or transfer takes effect; provided that any transfer shall only become effective when the Issuer has received an undertaking from the transferee to be bound by this Agreement and to perform the obligations transferred to it. Such assignment or transfer shall not affect any rights or obligations (including but not limited to, those arising under Clauses 6, 8 and 9) which have accrued at the time of assignment or transfer or which accrue thereafter to the Dealers who have assigned or transferred in relation to any act or omission or alleged act or omission which occurred prior to such assignment or transfer.

16. CURRENCY INDEMNITY

16.1 If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or analogous process of the Issuer or for any other reason, any payment under or in connection with this Agreement is made or falls to be satisfied in a currency (the **other currency**) other than that in which the relevant payment is expressed to be due (the **required currency**) under this Agreement, then, to the extent that the payment (when converted into the required currency at the rate of exchange on the date of payment or, if it is not practicable for the relevant Dealer to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the relevant Dealer falls short of the amount due under the terms of this Agreement, the Issuer undertakes that it shall, as a separate and independent obligation, indemnify and hold harmless each Dealer against the amount of such shortfall. For the purpose of this clause **rate of exchange** means the rate at which the

relevant Dealer is able on the relevant date to purchase the required currency with the other currency and shall take into account any premium and other costs of exchange.

17. STABILISATION

17.1 In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be admitted to trading on the London Stock Exchange/listed on the Luxembourg Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

17.2 The Issuer confirms that it has been informed of the existence of the informational guidance published by the United Kingdom Financial Services Authority in relation to stabilisation.

18. GOVERNING LAW AND JURISDICTION

18.1 This Agreement and every agreement for the issue and purchase of Notes as referred to in Clause 2 shall be governed by, and construed in accordance with, the laws of England.

18.2 The Issuer hereby irrevocably agrees for the exclusive benefit of the Dealers that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with this Agreement may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained herein shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer hereby appoints PepsiCo International Limited at its registered office for the time being at the date hereof 3 Kew Road, Richmond, Surrey, TW9 2QL, England (Attention: Division Counsel) as its agent for service of process and agrees that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve process in

any other manner permitted by law. The Issuer hereby irrevocably and unconditionally waives with respect to this Agreement any right to claim immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Save as provided in Clause 6, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

APPENDIX A

INITIAL DOCUMENTATION LIST

1. A certified copy of the Restated Articles of Incorporation of the Issuer.
2. A certified copy of all resolutions and other authorisations required to be passed or given, and evidence of any other action required to be taken, on behalf of the Issuer:
 - (a) to approve this Agreement, the Agency Agreement, the Deed of Covenant, the creation of the Programme and the issue of Notes under the Programme;
 - (b) to authorise appropriate persons to execute each of this Agreement, the Agency Agreement, the Deed of Covenant and Notes issued under the Programme and to take any other action in connection therewith; and
 - (c) to authorise appropriate persons to enter into agreements with any Dealer on its behalf to issue Notes in accordance with Clause 2 of this Agreement.
3. A certified list of the names, titles and specimen signatures of the persons authorised on behalf of the Issuer in accordance with paragraph 2(c) above.
4. Certified copies of any other governmental or other consents (including, but not limited to, confirmation that the Bank of England has been notified of the establishment of the Programme) required for the Issuer to issue Notes under the Programme, to execute and deliver this Agreement, the Agency Agreement and the Deed of Covenant and to fulfil its obligations under this Agreement the Agency Agreement, the Notes and the Deed of Covenant.
5. Confirmation that one or more master Temporary Global Notes and master Permanent Global Notes (from which copies can be made for each particular issue of Notes under the Programme), duly executed by a person or persons authorised to take action on behalf of the Issuer as specified in paragraph 2(b) above, have been delivered to the Agent.
6. Legal opinions addressed to each of the Dealers dated on or after the date of this Agreement, in such form and with such content as the Dealers may reasonably require, from:
 - (a) In-house counsel of the Issuer, as to U.S. federal law (substantially in the form set out in Appendix H);
 - (b) In-house tax counsel of the Issuer, as to certain United States tax laws (substantially in the form set out in Appendix I);
 - (c) Freshfields Bruckhaus Deringer, legal advisers to the Dealers, as to English law (substantially in the form set out in Appendix J);

-
- (d) Womble Carlyle Sandridge & Rice, PLLC, legal advisers to the Issuer, as to North Carolina law (substantially in the form set out in Appendix K); and
- (e) Davis Polk & Wardwell, legal advisers to the Issuer, as to New York law and U.S. federal law (substantially in the form set out in Appendix L).
7. A conformed copy of each of this Agreement, the Agency Agreement and the Deed of Covenant and confirmation that executed copies of such documents have been delivered, in the case of the Agency Agreement, to the Agent and the paying agents appointed thereunder and, in the case of the Deed of Covenant, to a common depositary for Euroclear and Clearstream, Luxembourg.
8. A printed final version of the Prospectus.
9. Confirmation from Morgan Stanley that the UKLA will list Notes to be issued under the Programme and that the London Stock Exchange will admit such Notes to trading.
10. A comfort letter from the independent registered public accounting firm of the Issuer, in such form and with such content as the Dealers may reasonably request.
11. Confirmation of rating of Notes issued under the Programme by Standard & Poor's Ratings Services and Moody's Investors Service.
12. Letter from PepsiCo International Limited confirming its acceptance as agent for service of process of the Issuer.
13. Effectuation Letter (where required).
14. Issuer/ICSD Agreement (where required).

APPENDIX B
SELLING RESTRICTIONS

United States

1.1 The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer represents and agrees that it has offered, sold and delivered any Notes, and will offer, sell and deliver any Notes (1) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and notified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer further represents and agrees that it, its affiliates and any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and notify to the Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Agent agrees to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and notified by the Agent for the Securities to [name of Dealer(s)/Lead Manager], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.”.

Terms used in this Clause 1.1 have the meanings given to them by Regulation S.

1.2 In addition (unless the applicable Final Terms specifies otherwise):

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the **D Rules**), each Dealer (i) represents that it has not offered, sold or resold, and agrees that during the restricted period it will not

offer, sell or resell, Notes to a person who is within the United States or its possessions or for the account or benefit of any United States person or to any person for whom such Dealer has an address within the United States or its possessions, and (ii) represents that it has not delivered, directly or indirectly, and agrees that it will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form (which includes for this purpose any Permanent Global Note) that are sold during the restricted period;

- (b) each Dealer represents that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware of the restrictions set forth in (a) above on the offer, sale, resale or delivery of the Notes;
- (c) if it is a United States person, each Dealer represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and has not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions and agrees that if it retains Notes for its own account, it will only do so in accordance with the requirements of the D Rules; and
- (d) with respect to each affiliate that acquires Notes from a Dealer for the purpose of offering, selling or delivering such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in Clauses 1.2(a), (b) and (c) on such affiliate's behalf.

Terms used in this Clause 1.2 have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules. Whether or not an offer, sale or delivery is treated as made within the United States or its possessions or to a United States person will depend upon application of the D Rules.

1.3 Each issue of Indexed Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the Final Terms. Each relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

2. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

3. Each Dealer represents and agrees that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

4. The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the **Securities and Exchange Law**) and each Dealer agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

General

5. Each Dealer agrees that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

PART I

FORM OF DEALER ACCESSION LETTER - PROGRAMME

[Date]

To: PepsiCo, Inc.

Dear Sirs

PepsiCo, Inc. (the Issuer)

Euro Medium Term Note Programme

We refer to the Amended and Restated Programme Agreement dated 21 July 2006 entered into in respect of the above Euro Medium Term Note Programme and made between the Issuer and the Dealers party thereto (which agreement, as amended from time to time, is herein referred to as the ***Programme Agreement***).

Conditions Precedent

We confirm that we are in receipt of the documents referenced below:

(a) a copy of the Programme Agreement; and

(b) a copy of current versions of all documents referred to in Appendix A of the Programme Agreement;

and have found them to our satisfaction or (in the case of documents referred to in (b) above) have waived such production.

For the purposes of the Programme Agreement our notice details are as follows:

(insert name, address, telephone, facsimile, telex (+ answerback) and attention).

In consideration of the appointment by the Issuer of us as a Dealer under the Programme Agreement we hereby undertake, for the benefit of the Issuer and each of the other Dealers, that we will perform and comply with all the duties and obligations expressed to be assumed by a Dealer under the Programme Agreement.

This letter is governed by, and shall be construed in accordance with, English law.

Yours faithfully,

[Name of New Dealer]

By:

cc: JPMorgan Chase Bank, N.A. (Agent)

Part II

Form of Confirmation Letter - Programme

[Date]

To: [Name and address of New Dealer]

Dear Sirs,

PepsiCo, Inc.

Euro Medium Term Note Programme

We refer to the Amended and Restated Programme Agreement dated 21 July 2006 (such agreement, as amended from time to time, the ***Programme Agreement***) entered into in respect of the above Euro Medium Term Note Programme and hereby acknowledge receipt of your Dealer Accession Letter to us dated [].

In accordance with Clause 11.1(b) of the Programme Agreement we hereby confirm that, with effect from the date hereof, you shall become a party to the Programme Agreement, vested with all the authority, rights, powers, duties and obligations of a Dealer as if originally named as Dealer under the Programme Agreement.

Yours faithfully,

For: PepsiCo, Inc.

By:

cc: JPMorgan Chase Bank, N.A. (Agent)

The Dealers

Part III

Form of Dealer Accession Letter - Note Issue

[Date]

To: PepsiCo, Inc.

Dear Sirs,

PepsiCo, Inc. (the *Issuer*)
Euro Medium Term Note Programme
[Details of the issue] (the *Notes*)

We refer to the Amended and Restated Programme Agreement dated 21 July 2006 and made between the Issuer and the Dealers party thereto (which agreement, as amended from time to time, is herein referred to as the ***Programme Agreement***).

Conditions Precedent

We confirm that we are in receipt of the documents referenced below:

- (c) a copy of the Programme Agreement; and
- (d) a copy of current versions of such of the documents referred to in Appendix A of the Programme Agreement as we have requested;

and have found them to our satisfaction or (in the case of the documents referred to in (b) above) have waived such production.

For the purposes of the Programme Agreement our notice details are as follows:

(insert name, address, telephone, facsimile, telex (+ answerback) and attention).

In consideration of the Issuer appointing us as a Dealer in respect of the issue of the Notes under the Programme Agreement we hereby undertake, for the benefit of the Issuer and each of the other Dealers that in relation to the issue of the Notes we will perform and comply with all the duties and obligations expressed to be assumed by a Dealer under the Programme Agreement.

This letter is governed by, and shall be construed in accordance with, English law.

Yours faithfully

For: [Name of New Dealer]

By:

cc: JPMorgan Chase Bank, N.A. (Agent)

Part IV

Form of Confirmation Letter - Note Issue

[Date]

To: [Name and address of New Dealer]

Dear Sirs,

PepsiCo, Inc.

Euro Medium Term Note Programme

[Details of issue] (the Notes)

We refer to the Amended and Restated Programme Agreement dated 21 July 2006 (such agreement, as amended from time to time, the ***Programme Agreement***) and hereby acknowledge receipt of your Dealer Accession Letter to us dated [].

In accordance with Clause 11.1(b) of the Programme Agreement we hereby confirm that, with effect from the date hereof in respect of the issue of the Notes, you shall become a party to the Programme Agreement, vested with all the authority, rights, powers, duties and obligations of a Dealer in relation to the issue of the Notes as if originally named as Dealer under the Programme Agreement provided that following the issue of the temporary global note representing the Notes you shall have no further such authority, rights, powers, duties and obligations except such as may have accrued or been incurred prior to or in connection with the issue of the temporary global note.

Yours faithfully,

For: PepsiCo, Inc.

By:

c.c.: JPMorgan Chase Bank, N.A. (Agent)

APPENDIX D

LETTER REGARDING INCREASE IN THE AGGREGATE
NOMINAL AMOUNT OF THE PROGRAMME

[Date]

To: The Dealers
(as those expressions are defined
in the Amended and Restated Programme
Agreement dated 21 July 2006, as amended from
time to time, (the ***Programme Agreement***))

Dear Sirs,

PepsiCo, Inc.
Euro Medium Term Note Programme

We hereby notify you, pursuant to Clause 12 of the Programme Agreement, that the aggregate nominal amount of the above Programme shall be increased to U.S.\$[] from [insert date] whereupon all references in the Programme Agreement and the Agency Agreement will be deemed amended accordingly. We understand that this increase is subject to the satisfaction of the conditions set out in Clause 12 of the Programme Agreement.

Terms used in this letter have the meanings given to them in the Programme Agreement.

Yours faithfully,

For: PepsiCo, Inc.

By:

cc: JPMorgan Chase Bank, N.A. (Agent)

DRAFT SUBSCRIPTION AGREEMENT

[DATE]

To: []

(the *Managers*)

c/o []

(the *Lead Manager*)

cc: JPMorgan Chase Bank, N.A. (Agent)

Dear Sirs,

PepsiCo, Inc.

Euro Medium Term Note Programme (the *Programme*)

PepsiCo, Inc. (the *Issuer*) proposes to issue [DESCRIPTION OF ISSUE] (the *Notes*) pursuant to the Programme. The terms of the issue shall be as set out in the form of Final Terms attached to this Agreement as Annex A.

This Agreement is supplemental to the Amended and Restated Programme Agreement (the *Programme Agreement*) dated 21 July 2006 made between the Issuer and the Dealers party thereto, as amended from time to time. All terms with initial capitals used herein without definition have the meanings given to them in the Programme Agreement.

We wish to record the arrangements agreed between us in relation to the issue:

Conditions Precedent

1. ¹This Agreement appoints each Manager which is not a party to the Programme Agreement (each a *New Dealer*) as a New Dealer in accordance with the provisions of Clause 11 of the Programme Agreement for the purposes of the issue of the Notes. [The]/[Each] New Dealer undertakes for the benefit of the Issuer and each of the other Dealers, that in relation to the issue of the Notes it will perform and comply with all the duties and obligations expressed to be assumed by a Dealer under the Programme Agreement. The Lead Manager confirms that it is in receipt of the documents referenced below:

(a) a copy of the Programme Agreement; and

¹ Delete this paragraph for a Dealer-only Syndicate.

- (b) a copy of such of the documents referred to in Appendix A of the Programme Agreement as the Lead Manager (on behalf of the Managers) has requested;

and has confirmed with [each of] the New Dealer[s] that it has found them to be satisfactory or (in the case of any or all of the documents referred to in (b)) has waived such production.

For the purposes of the Programme Agreement the details of the Lead Manager for service of notices are as follows:

[insert name, address, telephone, facsimile, telex (+ answerback) and attention].

In consideration of the Issuer appointing the New Dealer[s] as [a] Dealer[s] in respect of the Notes under the Programme Agreement, [each/the] New Dealer hereby undertakes, for the benefit of the Issuer and each of the other Dealers, that, in relation to the issue of the Notes, it will perform and comply with all the duties and obligations expressed to be assumed by a Dealer under the Programme Agreement, a copy of which it acknowledges it has received from the Lead Manager. Notwithstanding anything contained in the Programme Agreement, [each of] the New Dealer[s] shall be vested with all authority, rights, powers, duties and obligations of a Dealer in relation to the issue of the Notes as if originally named as a Dealer under the Programme Agreement provided that following the Issue Date of the Notes [each of] the New Dealer[s] shall have no further such authority, rights, powers, duties or obligations except such as may have accrued or been incurred prior to, or in connection with, the issue of the Notes.

2. Subject to the terms and conditions of the Programme Agreement and this Agreement the Issuer hereby agrees to issue the Notes and the Managers jointly and severally agree to purchase the Notes at a purchase price of [] per cent. of the principal amount of the Notes (the **Purchase Price**), being the issue price of [] per cent., less a selling concession of [] per cent. of such principal amount and a management and underwriting fee of [] per cent. of such principal amount.

3. The settlement procedures set out in Part 2 of Annexe A to the Procedures Memorandum shall apply as if set out in this Agreement provided that, for the purposes of this Agreement:

- (a) the sum payable on the Issue Date shall be [] (representing the Purchase Price [, less the amount payable in respect of Managers' expenses specified in Clause 4 of this Agreement]);
- (b) **Issue Date** means [] a.m. ([] time) on [] or such other time and/or date as the Issuer and the Lead Manager on behalf of the Managers may agree; and
- (c) **Payment Instruction Date** means the Issue Date unless there is to be a pre-closing for the issue in which case it means the business day (being a day on which banks and foreign exchange markets are open for business in London) prior to the Issue Date.

4. The Issuer shall bear and pay (together with any applicable value added or similar tax) all costs and expenses incurred in or in connection with the printing of the Notes, this Agreement and the Final Terms prepared in connection with the issue of the Notes, the listing of the Notes on the London Stock Exchange and making initial delivery of the Notes. In addition, the Issuer agrees to pay to the Lead Manager [] in respect of reasonable legal, travelling, telex, facsimile, telephone, postage and advertising expenses incurred and to be incurred by the Managers in connection with the preparation and management of the issue and distribution of the Notes which sum may be deducted from the Purchase Price as provided in Clause [3] hereof.]

5. The obligation of the Managers to purchase the Notes is conditional upon:

- (a) the conditions set out in Clause 3.2 (other than that set out in Clause 3.2(f) of the Programme Agreement being satisfied as of the Payment Instruction Date, and without prejudice to the aforesaid, the Prospectus dated [] [, as supplemented by [],] contain all material information relating to the assets and liabilities, financial position, profits and losses of the Issuer and nothing having happened or, having regard to the circumstances prevailing on the Payment Instruction Date being expected to happen which would, in the reasonable opinion of the Issuer require the Prospectus [, as so supplemented,] to be [further] supplemented or updated; and
- (b) the delivery to the Lead Manager on the Payment Instruction Date of:
 - (A) legal opinions addressed to the Managers dated the Payment Instruction Date in such form and with such contents as the Lead Manager, on behalf of the Managers, may reasonably require from (i) any of the General Counsel, Associate General Counsel, Assistant General Counsel or Corporate Division Counsel of the Issuer as to U.S. federal law including as to United States tax law, (ii) Davis Polk & Wardwell, as to New York law and U.S. federal law, (iii) Womble Carlyle Sandridge & Rice, PLLC, as to North Carolina law and (iv) Freshfields as to English law;
 - (B) a certificate dated as at the Payment Instruction Date signed by a duly authorised officer of the Issuer giving confirmations to the effect stated in paragraph (i) of this Clause;
 - (C) comfort letters dated the date hereof and the Payment Instruction Date from the independent auditors of the Issuer in such form and with such content as the Managers may reasonably request; and
 - (D) such other conditions precedent as the Lead Manager may reasonably require.

If any of the foregoing conditions is not satisfied on or before the Payment Instruction Date, this Agreement shall terminate on such date and the parties hereto shall be under no further liability arising out of this Agreement (except for the liability of the

Issuer in relation to expenses as provided in Clause [4] and except for any liability arising before or in relation to such termination), provided that the Lead Manager, on behalf of the Managers, may in its discretion waive any of the aforesaid conditions or any part of them.

6. The Lead Manager, on behalf of the Managers, may, by notice to the Issuer, terminate this Agreement if at any time prior to payment of the net purchase money to the Issuer there has been (i) any suspension or material limitation of trading in securities generally on the NYSE or the London Stock Exchange, (ii) a declaration of a general moratorium on commercial banking activities in New York by either Federal or New York State authorities or in the principal financial centre of the Specified Currency or Currencies applicable to the Notes by the relevant regulatory authorities, or (iii) any outbreak or material escalation of hostilities or other national or international calamity or crisis (the events described in the foregoing clauses (i) to (iii) the **Market Events**), the effect of any of which Market Events shall have made it impracticable, in the professional judgment of the Lead Manager, to offer or sell the Notes, such judgment to be based on relevant market conditions, including, without limitation, the impact of such Market Event on debt securities having substantially similar characteristics as the Notes and, upon such notice being given, the parties to this Agreement shall (except for the liability of the Issuer in relation to expenses as provided in Clause [4] of this Agreement and except for any liability arising before or in relation to such termination) be released and discharged from their respective obligations under this Agreement.

7. Clauses 18 and 19 of the Programme Agreement shall also apply to this Agreement as if expressly incorporated herein.

8. This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same agreement and any party may enter into this Agreement by executing a counterpart.

Please confirm that this letter correctly sets out the arrangements agreed between us.

Yours faithfully,

For: PepsiCo, Inc.

By:

We agree to the foregoing.

For: [NAMES OF MANAGERS]

By:

APPENDIX F

FORM OF EFFECTUATION AUTHORISATION

PepsiCo, Inc.
[address]

[Place of Execution], [Date]

To: [Name of Common Safekeeper]
[Address of Common Safekeeper]

Dear Sirs,

PepsiCo, Inc.
\$2,500,000,000 Euro Medium Term Note Programme

With respect to each global note representing securities issued under the above-captioned programme received from time to time by [Name of Common Safekeeper] (the **CSK**) from ourselves or any agent acting on our behalf (each a Global Note), we hereby authorise and instruct the CSK to:

- (i) act as our agent with respect to the effectuation of each Global Note and, as such, sign each Global Note as the final act making such note a valid security in accordance with the terms of such Global Note; and
- (ii) destroy each Global Note in accordance with the normal procedure of the CSK upon maturity and final redemption (or, in the case of each temporary global note, full exchange for the relative permanent global note) of such Global Note.

We expressly authorise the CSK to sub-delegate the effectuation authorisation set out in paragraph 1 above to any other party acting for such CSK.

Very truly yours,

On behalf of PepsiCo, Inc.

By: [Signature of Authorised Officer of Issuer or Agent with Authorisation of Issuer]

[Print Name]
[Street Address]
[City]
[Country]
[Postal Code]

² This address and contact information is required to be included by the ICSDs.

FORM OF ISSUER – ICSD AGREEMENT

AGREEMENT ENTERED INTO THIS _____, OF 200[-], AMONG:

PepsiCo, Inc. [*incorporation and registered office details*] (the **Issuer**); and

Euroclear Bank SA/NV of 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and Clearstream Banking SA of 42 Avenue J.F. Kennedy, L-1855 Luxembourg (each a **Relevant Clearing System**).

Subject: Acceptance of: \$2,500,000,000 Euro Medium Term Note Programme [*Programme Number*]

This agreement sets forth the understanding of the parties with respect to securities to be issued in New Global Note form under the above-captioned programme (the **Securities**) that the Issuer may request be made eligible for settlement with Euroclear Bank SA/NV and Clearstream Banking SA (the **ICSDs**).

In order to allow the ICSDs to accept the Securities as eligible for settlement with the ICSDs and to properly service the Securities, the Issuer hereby represents and warrants to the ICSDs that in all matters relating to the Securities it will, and it will require any agent appointed by it to, comply with the requirements for the Securities set out herein. For the purposes of this agreement, **New Global Note** means a global note which refers to the books and records of the ICSDs to determine the total remaining indebtedness of the issuer as determined from time to time.

1. The ICSDs hereby agree that:

- (a) each of them will maintain their respective portion of the issue outstanding amount (the **IOA**) through their records and will undertake daily reconciliation of such amounts with each other, and shall ensure on a daily basis that the aggregate total of their respective records match the IOA;
- (b) each of them will promptly update their records to reflect the discharge of the Issuer's obligations with respect to the Securities upon the receipt of (i) a redemption payment as required pursuant to the terms of the Securities; and (ii) an instruction from the Issuer or its agent for a mark-up (i.e. increase) or mark-down (i.e. decrease) of the IOA of the Securities; in doing so, each ICSD will consult with the other to ensure that the aggregate of the amounts so updated by them is equal to the total mark-up or mark-down notified to them;
- (c) each of them will, or will require any agent appointed by it to, provide the necessary information to the Issuer's agents to enable the Issuer's agents to comply with 2(c) below; and

- (d) each of them confirms that upon the Issuer's request, it will produce for the Issuer's use a statement showing the sum of the total nominal amount of its customer holdings for the Securities as of a specified date.

For the purposes of clarification, the ICSDs confirm that the records of the Relevant Clearing System referred to in the New Global Note representing the Securities are the records that each ICSD holds for its customers which reflect the amount of each such customer's interest in the Securities.

2. The Issuer must procure that, in relation to any Securities represented by a New Global Note:

- (a) its agents will inform the ICSDs (through the common service provider appointed by the ICSDs to service the Securities (the **CSP**)) of the initial IOA for such Securities on or prior to the applicable closing date;
- (b) if any event occurs that requires a mark-up or mark-down of the records which an ICSD holds for its customers to reflect such customers' interest in such Securities, one of its agents will promptly provide details of the amount of such mark-up or mark-down, together with a description of the event that requires it, to the ICSDs (through the CSP) to ensure that the IOA of such Securities remains at all times accurate;
- (c) its agents will at least monthly reconcile their records of the IOA of such Securities with information received from the ICSDs (through the CSP) with respect to the IOA maintained by the ICSDs for such Securities and will promptly inform the ICSDs (through the CSP) of any discrepancies;
- (d) its agents will promptly assist the ICSDs (through the CSP) in resolving any discrepancy identified in the IOA of such Securities;
- (e) its agents will promptly provide to the ICSDs (through the CSP) details of all amounts paid under the Securities (or, where the Securities provide for delivery of assets other than cash, of the assets so delivered);
- (f) its agents will promptly provide to the ICSDs (through the CSP) any changes to the Securities that will affect the amount of, or date for, any payment due under such Securities;
- (g) its agents will promptly provide to the ICSDs (through the CSP) copies of all information that is given to the holders of the Securities;
- (h) its agents will promptly pass on to it all communications they receive from the ICSDs directly or through the CSP relating to the Securities; and
- (i) its agents will promptly notify the ICSDs (through the CSP) or any failure by the Issuer to make any payment or delivery due under the Securities when due.

The Issuer's obligations under this Agreement will be discharged if it includes provisions substantially to the effect set out in the paragraph above in any agreement

it has with its agents. The Issuer agrees that the ICSDs may rely on communication from its agents as if such communication was received directly from-the Issuer.

3. This Agreement is governed by the law of the jurisdiction marked on Schedule 1.

On behalf of PepsiCo, Inc.:

By: *[Signature of Authorised Officer of Issuer or agent with Authorisation of Issuer]*

[Name of Authorised Signatory]

On behalf of Euroclear Bank [SA/NV] On behalf of Clearstream Banking, [société anonyme]

By:	By:
<i>[Name of Authorised Officer]</i>	<i>[Name of Authorised Officer]</i>

Schedule 1

Please tick one jurisdiction or delete the inapplicable jurisdictions

Austria
Belgium
Canada
Cyprus
Czech Republic
Denmark
England & Wales
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Japan
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Netherlands
New York or [*Other State of the United States*]
Norway
Poland
Portugal
Scotland
Slovakia
Slovenia
Spain
Switzerland
Sweden

APPENDIX H

IN-HOUSE COUNSEL FORM OF OPINION

1. The Issuer has authorized the execution, delivery and performance of each of the Programme Agreement, the Agency Agreement, and the Deed of Covenant (together, the “Principal Agreements”) and the Notes by all necessary corporate action and the Principal Agreements and the Notes have been duly executed and delivered.

2. The execution and delivery of and performance by the Issuer of its obligations under the Principal Agreements and the Notes will not contravene any provision of the Restated Charter or By-Laws of the Issuer, or of any agreement or other instrument binding upon the Issuer or any of its subsidiaries that is material to the Issuer and its subsidiaries taken as a whole, or, to my knowledge, of any judgment, order, or decree of any governmental body, agency, or court having jurisdiction over the Issuer or any of its subsidiaries, in each of the foregoing cases except as would be reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Issuer and its subsidiaries, taken as a whole.

3. To my knowledge, there is no legal or governmental proceeding pending or threatened to which the Issuer or any of its significant subsidiaries is a party, or by which any of the properties of the Issuer or its significant subsidiaries is bound, which would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Issuer and its subsidiaries, taken as a whole.

APPENDIX I

IN-HOUSE COUNSEL FORM OF TAX OPINION

I am of the opinion that the statements in “United States Taxation of “United States Alien” Holders” are, at the date of issue of the Prospectus (as defined in the Schedule hereto), correct in all material respects.

FRESHFIELDS BRUCKHAUS DERINGER FORM OF OPINION

(1) The obligations of the Issuer under the Documents constitute, and the obligations of the Issuer under the Global Notes, the Definitive Notes and the Coupons (once such Global Notes or Definitive Notes (with Coupons attached thereto) have been duly completed, executed and delivered by the Issuer and authenticated as therein provided) will constitute, legal, valid and binding obligations of the Issuer;

(2) No consents, licences, approvals or authorisations of, or registrations or filings with, any governmental or other authority or agency in the United Kingdom are required by law by the Issuer in relation to the initial issue of the Securities or any of the acts or transactions contemplated by the Programme Agreement in relation to the Notes except that:

(a) the Prospectus must be approved by the Financial Services Authority under Part VI of the FSMA for Notes to be issued under the Programme (which we understand has been obtained), the approved Prospectus must be filed with the Financial Services Authority and any Final Terms must be filed with the Financial Services Authority pursuant to the Prospectus Rules in respect of each issue of Notes to be admitted to official listing on the London Stock Exchange;

(b) there must be submitted to the Financial Services Authority and to the London Stock Exchange all other documents required to be submitted to either entity;

(c) any person in the United Kingdom (including any United Kingdom based paying agent) who pays interest to, or receives interest for the benefit of, an individual may be required by HM Revenue & Customs to provide certain information (which may include the name and address of the beneficial owner of the interest) to HM Revenue & Customs;

(d) any person in the United Kingdom (including any United Kingdom based paying agent) who pays amounts payable on redemption of Securities which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to, or receives such amounts for the benefit of, an individual may be required by HM Revenue & Customs to provide certain information (which may include the name and address of the beneficial owner of the amount payable on redemption) to HM Revenue & Customs although HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise its power to require this information where such amounts are paid on or before 5 April, 2006;

(e) under the listing rules of the Financial Services Authority:

(A) a supplementary prospectus will be required in respect of any issue of Securities to be admitted to official listing on the London Stock Exchange which causes the aggregate principal amount of Securities issued to exceed the amount of the Programme; and

(B) a new prospectus will be required in respect of any issue of Securities which takes place more than 12 months after the date of the publication of the Prospectus and, pursuant to section 87G of the FSMA, a supplementary prospectus may be required in certain circumstances as provided in that section;

(f) a consent, licence, approval, authorisation, registration or filing may be required by any authorised person under any rules or regulations under the FSMA which are applicable to it;

(g) under the Reporting of Savings Income Information Regulations 2003, as amended (the 2003 Regulations), a paying agent (as defined in the 2003 Regulations) established in the United Kingdom who makes a payment of savings income to an individual or a residual entity (as defined in the 2003 Regulations) established in another EU member state or one of certain other non EU countries and territories will be required to obtain, verify, record and then provide to HM Revenue & Customs certain information about the payee and the payment,

(3) Payments of principal and interest in respect of any of the Notes made in the United Kingdom are not subject to withholding taxes or duties in the United Kingdom;

(4) No ad valorem stamp duty, stamp duty reserve tax or issue, documentary, registration or other similar tax imposed by any government department or other taxing authority of or in the United Kingdom is payable in connection with the initial issue or delivery of the Programme Documents;

(5) the choice of English law to govern the Issue Documents will be recognised and upheld by the English courts.

WOMBLE CARLYLE SANDRIDGE & RICE FORM OF OPINION

1. PepsiCo is a corporation in existence under the laws of the State of North Carolina.
2. PepsiCo has the corporate power to execute, deliver and perform its obligations under the Principal Agreements and the Notes (when issued) and to own its properties and conduct its business as described in the Prospectus (as defined in Schedule I hereto).
3. PepsiCo has authorized the execution, delivery and performance of the Principal Agreements and the Notes (when issued) by all necessary corporate action.
4. Each of the Principal Agreements has been duly executed by PepsiCo.
5. Assuming the validity of such action under English law, under the laws of the State of North Carolina, the appointment by PepsiCo in the Principal Agreements and the Notes (when issued) of its agent for the service of process in England is a valid appointment and no further act is required to render such appointment effective and such agent is bound to act in accordance with such appointment.
6. To our knowledge, the execution and delivery by PepsiCo of the Principal Agreements and the consummation of the transactions provided for thereby will not violate any applicable law, statute, rule or regulation of the State of North Carolina that is binding on PepsiCo or any of its assets.

DAVIS POLK & WARDWELL FORM OF OPINION

1. The choice of English law as the proper law to govern the Programme Agreement, the Agency Agreement, and the Deed of Covenant (together, the “Principal Agreements”) and the Notes should be upheld as a valid choice of law by the state courts of the State of New York and the U.S. federal courts sitting in the State of New York and applied by such courts in proceedings relating to the obligations of the parties under such Agreements, unless the application of English law would contravene the public policy of the State of New York or U.S. federal law. We are not aware of any public policy of the State of New York or of U.S. federal law that would be impugned by the enforcement of the express provisions of the Principal Agreements. For the purposes of this paragraph, we have assumed that consent to the choice of law provision in such Agreements was not obtained from any party to such Agreements by improper means or mistake, that the legal questions at issue in any suit or proceeding with regard to such Agreements would be governed by principles that had been considered and decided under English law before initiation of such suit or proceeding, and would thus not be questions of first impression for a English court, and that a English court would itself enforce the choice of law provision contained in such Agreements.

2. Except as stated below, a money judgment obtained in England and enforcing the provisions of the Principal Agreements and the Notes will be enforced by courts of the State of New York and by U.S. federal courts sitting in the State of New York if the judgment rendered by the English court is final, conclusive and enforceable in England. To be conclusive, a judgment must be rendered under a system that provides impartial tribunals and procedures that observe the requirements of due process of law, and by tribunals that have jurisdiction over the parties and subject matter of the litigation in which judgment was rendered. The courts of the State of New York or a U.S. federal court sitting in the State of New York may refuse to recognize even a final, conclusive and enforceable judgment rendered by an English court on any of the following further discretionary grounds: (1) the defendant did not receive notice of the proceedings in sufficient time to enable the defendant to defend, (2) the judgment was obtained by fraud, (3) the cause of action underlying the judgment is repugnant to public policy in the State of New York or under U.S. federal law, (4) the judgment conflicts with another final and conclusive judgment, (5) the English proceedings were in contravention of an agreement between the parties to settle the dispute otherwise, and (6) jurisdiction was based only on personal service and the English court was a seriously inconvenient forum.

3. Assuming the validity of such action under English law, under the laws of the State of New York relating to the submission of personal jurisdiction, the appointment by the Issuer in the Principal Agreements and the Notes of its agent for the service of process in England is a valid appointment and no further act is required to render such appointment effective and such agent is bound to act in accordance with such appointment.

4. No authorizations, approval or other action by, and no notice to, consent of, order of or filing with, any U.S. federal or New York governmental authority or regulatory body is required for sale of the Notes or the consummation by the Issuer of the transactions contemplated by the Principal Agreements.

5. The execution, delivery and performance by the Issuer of the Principal Agreements and the Notes and the consummation of the transactions contemplated in such Agreements and the compliance by the Issuer with obligations under such Agreements will not conflict with, or constitute a breach of any law, statute, rule or regulation of the State of New York or the United States of America that in our experience is normally applicable to general business corporations in relation to transactions of the type contemplated by the Programme Agreement.

SIGNATORIES

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

PEPSICO, INC.

Telephone: 914-253-2000
Telefax: 914-253-3303
Attention: Vice President and Assistant Treasurer

By: **J. DARRELL THOMAS**

/s/ J. Darrell Thomas

Attention: Senior Vice President and Treasurer

By: **LIONEL L. NOWELL III**

/s/ Lionel L. Nowell III

The Dealers:**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

Telephone: +34 91 374 3840 / +1 212 728 2303
Telefax: +34 91 537 0657 / +1 212 258 2216
Attention: Julian Simón / Bettina Buss

BANC OF AMERICA SECURITIES LIMITED

Telephone: +44 20 7174 1144
Telefax: +44 20 7174 6414
Attention: EMTN Desk

CITIGROUP GLOBAL MARKETS LIMITED

Telephone: +44 20 7986 9050
Telefax: +44 20 7986 1929
Attention: MTN Desk

HSBC BANK PLC

Telephone: +44 20 7991 8888
Telefax: +44 20 7992 4973
Attention: Transaction Development

J.P. MORGAN SECURITIES LTD.

Telephone: +44 20 7777 3469
Telefax: +44 20 7777 9153
Attention: Euro Medium Term Note Desk

MERRILL LYNCH INTERNATIONAL

Telephone: +44 20 7995 3395
Telefax: +44 20 7995 2968
Attention: EMTN Trading & Distribution Desk

MORGAN STANLEY & CO. INTERNATIONAL LIMITED

Telephone: +44 20 7677 7799
Telefax: +44 20 7677 7999
Attention: Head of Transaction Management Group, Global Capital Markets

UBS LIMITED

Telephone: +44 20 7567 2479
Telefax: +44 20 7568 3349
Attention: MTNs and Private Placements

Each by its duly authorised signatory:

/s/ Anne Siew

Anne Siew

Vice President

PepsiCo, Inc.

By-Laws

As amended effective October 1, 2006

Article I

Offices

Section 1.1 *Principal Office*. The principal office of PepsiCo, Inc. (hereinafter called the “Corporation”) may be located at such place as the Board of Directors of the Corporation (hereinafter called the “Board”) may fix from time to time.

Section 1.2 *Registered Office*. The registered office of the Corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 1.3 *Other Offices*. The Corporation may also have an office or offices at such other place or places, either within or without the State of North Carolina, as the Board may from time to time by resolution determine or as may be appropriate to the business of the Corporation.

Article II

Meetings of Shareholders

Section 2.1 *Place of Meetings*. All meetings of the shareholders of the Corporation shall be held at the principal office of the Corporation in the State of North Carolina, or at such other place within or without the State of North Carolina as may from time to time be fixed by the Chairman of the Board or the Board and designated in the notice of the meeting.

Section 2.2 *Annual Meetings*. The annual meeting of the shareholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the first Wednesday of May in each year (or, if that day shall be a legal holiday under the laws of the State where such meeting is to be held, then on the next succeeding business day). No business shall be transacted at an annual meeting of shareholders, except such business as shall be (a) specified in the notice of meeting given as provided in Section 2.5, (b) otherwise brought before the meeting by or at the direction of the Board, or (c) otherwise brought before the meeting by a shareholder of record entitled to vote at the meeting, in compliance with the procedure set forth in this Section 2.2. For nominations or other business to be brought before an annual meeting by a shareholder pursuant to (c) above, the shareholder must have given written notice thereof to the Secretary of the Corporation. To be timely, a shareholder’s notice must be delivered to, or mailed to and received at, the principal office of the Corporation no less than ninety (90) nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date, notice by the shareholder must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such shareholder notice shall set forth: (A) as to

each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder; and (C) the name and address of such shareholder as it appears on the Corporation's books, and the number of shares of the Corporation's stock which are owned by such shareholder. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the provisions set forth in this Section 2.2. If the chairman of the annual meeting determines that any business was not properly brought before the meeting in accordance with provisions prescribed by these By-Laws, he shall so declare at the meeting, and to the extent permitted by law any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.2 regarding advance notice of shareholder proposals, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.2. Nothing in this Section 2.2 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.3 *Substitute Annual Meeting.* If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 2.4. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 2.4 *Special Meetings.* A special meeting of the shareholders of the Corporation may be called at any time by the Chairman of the Board or by resolution of the Board, and shall be called by the Secretary upon the written request of the shareholders owning a majority of shares of the common stock of the Corporation outstanding and entitled to vote at such meeting. Such special meeting shall be held at such time and at such place within or without the State of North Carolina as may be fixed by the Chairman of the Board, in the case of meetings called by the Chairman of the Board, or by resolution of the Board, in the case of meetings called by the Board; and any meeting called at the request of the shareholders pursuant hereto shall be held at the principal office of the Corporation within ninety (90) days from the receipt by the Secretary of such request. Any request for a special meeting of the shareholders shall set forth: (A) a statement of the specific proposal to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of the shareholders requesting the meeting; (B) the name and address of each such shareholder as it appears on the Corporation's books; and (C) the number of shares of the Corporation's stock which are owned by each such shareholder.

Section 2.5 *Notice of Meetings*. Notice of each meeting of the shareholders of the Corporation, whether annual or special, shall be given at least ten (10) but not more than sixty (60) days before the day on which the meeting is to be held to each shareholder entitled to vote thereat, by mailing a written or printed notice thereof, postage prepaid, addressed to him at his address as it appears on the stock ledger of the Corporation, provided, however, that notice is not required to be given to a shareholder if (i) notice of two consecutive annual meetings, and all notices of meetings during the period between those two consecutive annual meetings, have been sent to the shareholder at the shareholder's address as shown on the stock ledger of the Corporation and have been returned undeliverable; or (ii) all, but not less than two, payments of dividends on securities during a 12-month period, or two consecutive payments of dividends on securities during a period of more than 12 months, have been sent to the shareholder at the shareholder's address as shown on the stock ledger of the Corporation and have been returned undeliverable. If any shareholder delivers to the Corporation a written notice setting forth the shareholder's current address, the requirement that notice be given to the shareholder shall be reinstated. In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purpose or purposes for which the meeting is called unless such a description is required by the provision of the North Carolina Business Corporation Act. Except as otherwise prescribed by statute, notice of any adjourned meeting of shareholders need not be given.

Section 2.6 *Voting, Inspectors of Election*. All shares of one or more classes or series that under the Articles of Incorporation or the North Carolina Business Corporation Act are entitled to vote and be counted together collectively on a matter at a meeting of shareholders constitute a voting group within the meaning of the North Carolina Business Corporation Act. All shares entitled by the Articles of Incorporation or the North Carolina Business Corporation Act to vote generally on a matter are for that purpose a single voting group. Classes or series of shares shall not be entitled to vote separately by voting group unless expressly authorized by the Articles of Incorporation or specifically required by law. At any meeting of the shareholders of the Corporation, each shareholder entitled to vote may vote in person or by proxy provided that no proxy shall be voted after eleven (11) months from its date unless said proxy provides for a longer period. Unless otherwise provided by the Articles of Incorporation or By-laws, action on a matter by a voting group for which a quorum is present is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action. The vote for the election of directors, other matters expressly prescribed by statute, and, upon the direction of the presiding officer of the meeting, the vote on any other question before the meeting, shall be by ballot. At all meetings of shareholders, the polls shall be opened and closed, the proxies and ballots shall be received, taken in charge and examined, and all questions concerning the qualifications of voters, the validity of proxies and the acceptance or rejection of proxies and of votes shall be decided by three (3) inspectors of election. Such inspectors of election, together with one alternate, to serve in the event of death, inability or refusal by any of said inspectors of election to serve at the meeting, none of whom

need be a shareholder of the Corporation, shall be appointed by the Board, or, if no such appointment or appointments shall have been made, then by the presiding officer at the meeting. If, for any reason, any inspector of election so appointed shall fail to attend, or refuse or be unable to serve, a substitute shall be appointed to serve as inspector of election, in his place or stead, by the presiding officer at the meeting. No director or candidate for the office of director shall be appointed as an inspector. Each inspector shall take and subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. After the balloting, the inspectors shall make a certificate of the result of the vote taken.

Section 2.7 *Quorum, Presiding Officer.* Except as otherwise prescribed by statute, the Articles of Incorporation or in a By-Law approved by the shareholders, at any meeting of the shareholders of the Corporation, shares entitled to vote as a separate voting group may take action on a matter at the meeting only if a quorum of that voting group exists. The presence in person or by proxy of the holders record of a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. In the absence of a quorum at such meeting or any adjournment or adjournments thereof, the holders of record of a majority of such shares so present in person or by proxy and entitled to vote thereat may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Meetings of the shareholders shall be presided over by the Chairman of the Board, or, if the Chairman is not present, by another officer or director who shall be designated to serve in such event by the Board. The Secretary of the Corporation, or an Assistant Secretary designated by the officer presiding at the meeting, shall act as Secretary of the meeting.

Section 2.8 *Lists of Shareholders.* It shall be the duty of the officer of the Corporation who shall have charge of the stock ledger of the Corporation, either directly or through another officer designated by him or through a transfer agent or transfer clerk appointed by the Board, to prepare and make a complete list of shareholders entitled to notice of a shareholders' meeting, arranged in alphabetical order by voting group, and showing the address of and number of shares held by each shareholder. Such list shall be open to the examination of any shareholder at the place where said election is to be held beginning two (2) business days after notice of the meeting is given for which the list was prepared, and shall be produced and kept at the time and place of election, during the whole time thereof, subject to the inspection of any shareholder who may be present.

Article III

Board of Directors

Section 3.1 *Powers, Number, Term, Election.* The property, business and affairs of the Corporation shall be managed by the Board. The Board shall consist of fifteen (15) directors, but the number of directors may be increased, and may be decreased to any number not less than three (3), by resolution adopted by three-fourths of the whole Board; provided, however, that the number of directors which shall constitute the whole Board shall not be reduced to a number less than the number of directors then in office, unless such reduction shall become effective only at and after the next ensuing meeting of shareholders for the election of directors, or upon the resignation of an incumbent director. Each director shall hold office from the time of his election and qualification until the annual meeting of shareholders next succeeding his election and until his successor shall have been duly elected and shall have qualified, or until his death, resignation or removal. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. A decrease in the number of directors does not shorten an incumbent director's term. No director need be a shareholder. Except as provided in Section 6.4, the directors shall be elected at the annual meeting of shareholders. Those persons who receive the highest number of votes at a meeting at which a quorum is present shall be deemed to have been elected. Only persons who are nominated in accordance with the provisions set forth in these By-Laws shall be eligible to be elected as directors at an annual or special meeting of shareholders called for that purpose. Nomination for election to the Board shall be made by or at the direction of the Board or a nominating committee appointed by the Board. Nomination for election of any person to the Board may also be made by a shareholder at any annual meeting, in accordance with Section 2.2, and at a special meeting of shareholders called for that purpose, if made by the close of business on the seventh day following the date on which notice of such special meeting is first given to shareholders and otherwise made in accordance with Section 2.2.

Section 3.2 *Place of Meetings.* The Board may hold its meetings at such place or places within or without the State of North Carolina as it may from time to time by resolution determine, or as shall be specified or fixed in the respective notices or waivers of notice thereof. Any regular or special meeting may be held by conference telephone or similar communications equipment so long as all persons participating in such meeting can hear one another, and participation in such a telephonic meeting shall constitute presence in person.

Section 3.3 *First Meeting.* After each annual election of directors, on the same day and at the place where such election is held, the newly elected Board shall meet for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board, or in a waiver of notice thereof signed by all the directors.

Section 3.4 *Regular Meetings*. Regular meetings of the Board may be held at such time and place and in such manner as the Board may from time to time by resolution determine. Except as otherwise expressly prescribed by statute, the Articles of Incorporation or these By-Laws, notice of regular meetings need not be given.

Section 3.5 *Special Meetings*. Special meetings of the Board shall be held whenever called by the Chairman of the Board, or by the Secretary upon the written request filed with the Secretary by any four (4) directors. Notice of the time, place and manner of each such special meeting shall be mailed to each director, at his residence or usual place of business, not later than the second day before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph or other electronic transmission, or shall be delivered personally or by telephone, not later than six o'clock in the afternoon of the day before the day on which such meeting is to be held. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, and except in the case of a special meeting of the Board called for the purpose of removing an officer or officers of the Corporation or the filling of a vacancy or vacancies in the Board or of amending the By-Laws, notice or waivers of notice of any meeting of the Board need not set forth the purpose or purposes of the meeting.

Section 3.6 *Quorum*. Except as otherwise prescribed by statute or by these By-Laws, the presence of a majority of the full Board shall constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at a meeting at which a quorum shall be present shall be the act of the Board. Any meeting of the Board may be adjourned by a majority vote of the directors present at such meeting. In the absence of a quorum, the Chairman of the Board or a majority of the directors present may adjourn such meeting until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a board and the individual directors shall have no power as such.

Section 3.7 *Indemnification*. Unless the Board of Directors shall determine otherwise, the Corporation shall indemnify, to the full extent permitted by law, any person who was or is, or who is threatened to be made, a party to an action, suit or proceeding (and any appeal therein), whether civil, criminal, administrative, investigative or arbitrative, by reason of the fact that he, his testator or intestate, is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Such indemnification may, in the discretion of the Board, include advances of a director's, officer's or employee's expenses prior to final disposition of such action, suit or proceeding. The right of indemnification provided for in this Section 3.7 shall not exclude any rights to which such persons may otherwise be entitled by contract or as a matter of law. The Board shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this By-Law, including, without limitation, making a determination that indemnification is permissible in the circumstances and a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable

amount of indemnity due him. The Board may appoint a committee or special counsel to make such determination and evaluation.

Section 3.8 *Presumption of Assent.* A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissent or abstention with the presiding officer of the meeting before its adjournment or with the corporation immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 3.9 *Written Consents.* Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if, before or after such action, unrevoked written consents thereto are signed by all members of the Board or of such committee, as the case may be, and such written consents are filed with the minutes of proceedings of the Board or committee. Action taken under this section is effective when one or more unrevoked consents signed by all of the directors are delivered to the Corporation, unless the consents specify a different effective date. A director's consent to action may be revoked in a writing signed by the director and delivered to the Corporation prior to the action becoming effective.

Article IV

Committees

Section 4.1 *Designation, Vacancies, etc.* The Board may from time to time by resolution create committees of directors with such functions, duties and powers as the Board shall by resolution prescribe. The creation of a committee of the Board and appointment of members to it must be approved by the greater of (a) a majority of the number of directors in office when the action is taken or (b) the number of directors required to take action pursuant to Section 3.6. Each committee may have one or more members, except any executive committee shall have three or more members, as provided in the Articles of Incorporation. A majority of all the members of any such committee may determine its actions and rules or procedure, and fix the time, place and manner of its meetings, unless the Board shall otherwise provide. The Board shall have power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

Article V

Chairman of the Board and Officers

Section 5.1 *Chairman of the Board.* The Board of Directors shall annually elect one of its own members as the Chairman of the Board of Directors (the "Chairman of the Board"). The Chairman of the Board may also be the Chief Executive Officer or any other officer of the Corporation. The Chairman of the Board shall preside at the meetings of the Board and may call meetings of the Board and of any committee thereof, whenever he deems it

necessary, and he shall call to order and preside at all meetings of the shareholders of the Corporation. In addition, he shall have such other powers and duties as the Board shall designate from time to time.

Section 5.2 Principal Officers. The principal officers of the Corporation shall be a Chief Executive Officer, President, one or more Vice Presidents, a Secretary, a Treasurer, a Controller and such other officers as the Board shall designate from time to time with such powers and duties as the Board shall determine. The Corporation may also have an Executive Chairman and/or one or more Vice Chairmen, each of whom shall have such powers and duties as the Board shall designate from time to time. Any two or more of these offices may be held by the same person, except that neither a Chief Executive Officer nor a President may also serve as a Vice President, Secretary or Treasurer (as provided in the Articles of Incorporation) and no officer may act in more than one capacity where action of two or more officers is required. The Board may require any such officer to give security for the faithful performance of his duties.

Section 5.3 Election, Term of Office, Qualification. The principal officers of the Corporation shall be elected annually by the Board and each shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign, or until he shall have been removed in the manner hereinafter provided.

Section 5.4 Chief Executive Officer. The Chief Executive Officer of the Corporation shall have supervision of its policies, business, and affairs, and such other powers and duties as are commonly incident to the office of chief executive officer. The Chief Executive Officer shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation.

Section 5.5 President. The President (who may also be the Chief Executive Officer) shall have such powers and duties as the Board shall designate from time to time. The President shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation.

Section 5.6 Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board or the Chief Executive Officer may from time to time prescribe. The Board may elect or designate one or more of the Vice Presidents as Executive Vice Presidents, Senior Vice Presidents or with such other title as the Board may deem appropriate.

Section 5.7 The Treasurer. The Treasurer shall keep, deposit, invest and disburse the funds and securities of the Corporation, shall keep full and accurate accounts of the receipts and disbursements of the Corporation, shall maintain insurance coverage on the Corporation's assets, and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the Chief Executive Officer or the Board.

Section 5.8 *The Secretary*. The Secretary shall act as secretary of, and keep the minutes of, all meetings of the Board and of the shareholders, shall be custodian of the seal of the Corporation and shall affix and attest the seal to all documents the execution of which on behalf of the Corporation under its seal shall have been specifically or generally authorized by the Board, and, in general, shall perform all the duties incident to the office of Secretary and such other duties as may from time to time be assigned by the Chief Executive Officer or the Board.

Section 5.9 *The Controller*. The Controller shall be the chief accounting officer of the Corporation, shall have charge of its accounting department and shall keep or cause to be kept full and accurate records of the assets, liabilities, business and transactions of the Corporation.

Section 5.10 *Additional Officers*. The Board may elect or appoint such additional officers as it may deem necessary or advisable, and may delegate the power to appoint such additional officers to any committee or principal officer. Such additional officers shall have such powers and duties and shall hold office for such terms as may be determined by the Board or such committee or officer.

Section 5.11 *Salaries*. The Salaries of the officers of the Corporation shall be fixed from time to time in the manner prescribed by the Board.

Article VI

Removal, Resignations, Vacancies and Salaries

Section 6.1 *Removal of Directors*. Any director may be removed at any time, either with or without cause, by a vote of the shareholders entitled to vote at a special meeting of the shareholders called for that purpose, if the number of votes cast to remove such director exceeds the number of votes cast not to remove him, and the vacancy in the Board caused by any such removal may be filled by the shareholders at such meeting and, if not filled thereat, the vacancy caused by such removal may be filled by the directors as provided in Section 6.4 hereof.

Section 6.2 *Removal of Officers*. Any officer of the Corporation elected or appointed by the Board, or appointed by any committee or principal officer of the Corporation pursuant to authority delegated by the Board, may be removed at any time, either with or without cause, by resolution adopted by a majority of the whole Board at a regular meeting of the Board or at a special meeting thereof called for such purpose or by the appointing committee or appointing officer or by any other officers authorized by the Board of Directors.

Section 6.3 *Resignation*. Any director or officer of the Corporation may at any time resign by giving written notice to the Board, the Chairman of the Board, the Chief Executive Officer, or the Secretary. Any such resignation shall take effect at the time specified therein or, if no time shall be specified therein, at the time of the receipt thereof, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.4 *Vacancies*. Any vacancy in the Board caused by death, resignation, disqualification, an increase in the number of directors, or any other cause, may be filled by the majority vote of the remaining directors, though less than a quorum at any regular meeting of the Board or any special meeting thereof called for the purpose, or by the shareholders of the Corporation at the next annual meeting or at any special meeting called for the purpose, and the directors so chosen shall hold office, subject to the provisions of these By-Laws, until the next annual meeting of shareholders for the election of directors and until his successor shall be duly elected and shall qualify. Any vacancy in any office, caused by death, resignation, removal, disqualification or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.5 *Compensation*. Each director who shall not also be an executive officer of the Corporation or any of its subsidiary companies and receiving a regular salary for his services, in consideration of his serving as a director, shall be entitled to receive from the Corporation such fees for serving as a director as the Board shall from time to time determine, and each such director, who shall serve as a member of any committee of the Board, in consideration of his serving as a member of such committee, shall be entitled to such amount per annum or such fees for attendance at committee meetings as the Board shall from time to time determine. Nothing contained in this Section shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving compensation therefor.

Article VII

Contracts, Loans, Checks, Drafts, Deposits, Etc.

Section 7.1 *Contracts and Loans*. Except as authorized pursuant to a resolution of the Board or these By-Laws, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement, to effect any loan on its behalf, to issue any negotiable paper in its name, to pledge its credit, to render it pecuniarily liable for any purpose or for any amount, or to pledge, hypothecate or transfer any securities or other property of the Corporation as security for any loans or advances.

Section 7.2 *Checks, Drafts, etc.* All checks, drafts, and other instruments or orders for the payment of monies out of the funds of the Corporation, and all notes or other evidences of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined pursuant to a resolution of the Board. All checks, drafts and other instruments or orders for the payment of monies to or upon the order of the Corporation may be endorsed for deposit in such manner as shall be determined pursuant to a resolution of the Board.

Section 7.3 *Proxies*. Unless otherwise provided by resolution of the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or any Vice President or Secretary or Assistant Secretary designated by the Board, may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast, in the

name and on behalf of the Corporation, the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

Articles VIII

Shares, Dividends, Etc.

Section 8.1 *Certificates*. Certificates for shares of the common stock of the Corporation shall be in such form as shall be approved by the Board. Each such certificate shall be signed in the name of the Corporation by the Chief Executive Officer, the President, or a Vice President, and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation; provided, however, that, where such certificate is signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Corporation, and a registrar, the signature of any such Chief Executive Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be a facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall be deemed to have been adopted by the Corporation and to have been issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures were used thereon had not ceased to be such officer or officers of the Corporation. Except as otherwise prescribed by statute, the Articles of Incorporation, or by these By-Laws, the person in whose name shares of stock shall be registered on the books of the Corporation shall be deemed to be the owner thereof for all purposes as regards the Corporation.

Section 8.2 *Transfers*. The Board may make such rules and regulations as it may deem expedient concerning the issue, registration and transfer of certificates representing shares of the common stock of the Corporation and may appoint one or more transfer agents or clerks and registrars thereof.

Section 8.3 *Record Date*. The Board may fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of common stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of common stock, or to

give such consent, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment or rights, or exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. Except where a date shall have been fixed as a record date for the determination of the shareholders entitled to vote, as hereinabove provided, no share of stock shall be voted on at any election of directors which shall have been transferred on the books of the Corporation within twenty (20) days next preceding such election of directors.

Section 8.4 *Lost or Destroyed Certificates.* In case of loss, theft, mutilation or destruction of any certificate evidencing shares of the common stock of the Corporation, another may be issued in its place upon proof of such loss, theft, mutilation or destruction and upon the giving of an indemnity or other undertaking to the Corporation in such form and in such sum as the Board may direct.

Article IX

Seal, Fiscal Year, Waivers of Notice, Amendments

Section 9.1 *Corporate Seal.* The seal of the Corporation shall be circular in form and shall bear the name of the Corporation and the inscription "Corporate Seal, North Carolina". Said seal may be used by causing it or a facsimile thereof to be impressed or reproduced or otherwise.

Section 9.2 *Fiscal Year.* Each fiscal year of the Corporation shall end on the last Saturday of December.

Section 9.3 *Waivers of Notice.* Anything in these By-Laws to the contrary notwithstanding, notice of any meeting of the shareholders, the Board, or any committee constituted by the Board need not be given to any person entitled thereto, if such notice shall be waived by such person in a signed writing that is delivered to the Corporation for inclusion in the minutes or corporate records before, at or after such meeting, or if such person shall be present in person (or in the case of a meeting of the shareholders, be present in person or represented by proxy) at such meeting and without objecting to such lack of notice at the beginning of the meeting and as otherwise required by statute.

Section 9.4 *Amendments.* Unless otherwise provided by statute, the Articles of Incorporation or a By-Law approved by shareholders, these By-Laws may be altered, amended or repealed or new By-Laws may be made either:

- (a) by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation entitled to vote thereon, at any annual or special meeting of the shareholders, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such meeting or waiver thereof, or

(b) by the affirmative vote of a majority of the whole Board at any regular meeting of the Board, or any special meeting thereof, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such special meeting or waiver thereof or all of the directors at the time in office be present at such special meeting.

provided, however, that (i) no change of the time or place for the election of directors shall be made within sixty (60) days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each shareholder in accordance with Section 2.5 hereof at least twenty (20) days before the election is held, and (ii) the Board may alter, amend or repeal any By-Laws, but any By-Laws made by the Board may be altered, amended or repealed by the shareholders.

Section 9.5 *Electronic Transactions*. The Corporation may conduct any action or set of actions by any electronic means.

Dated 21 July 2006

PEPSICO, INC.
as Issuer

JPMORGAN CHASE BANK, N.A.
as Agent

J.P. MORGAN BANK LUXEMBOURG S.A.
as Paying Agent

AGENCY AGREEMENT
(amended and restated)
in respect of a U.S.\$2,500,000,000
EURO MEDIUM TERM NOTE
PROGRAMME



FRESHFIELDS BRUCKHAUS DERINGER

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THIS AGREEMENT is made on 21 July 2006

BETWEEN:

- (1) **PEPSICO, INC.** of 700 Anderson Hill Road, Purchase, New York 10577 (the **Issuer**);
- (2) **JPMORGAN CHASE BANK, N.A.** (previously known as The Chase Manhattan Bank) of Trinity Tower, 9 Thomas More Street, London E1W 1YT (the **Agent**, which expression shall include any successor agent appointed in accordance with Clause 21); and
- (3) **J.P. MORGAN BANK LUXEMBOURG S.A.** (previously known as Chase Manhattan Bank Luxembourg S.A.) of 6 route de Treves, L-2633 Senningerberg, Luxembourg (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agent appointed in accordance with Clause 21 and Paying Agent shall mean any of the Paying Agents).

WHEREAS:

- (A) The parties hereto entered into an amended and restated Agency Agreement dated 9 April 1997 as amended by supplemental agreements dated 11 June 1998, 9 July 1999, 29 June 2000, 11 September 2001, 11 September 2002 and 17 September 2003 (the **Agency Agreement**) in respect of a U.S.\$2,500,000,000 Euro Medium Term Note Programme (the **Programme**) of the Issuer.
- (B) The parties hereto have agreed to make certain modifications to the Agency Agreement.
- (C) This Agreement amends and restates the Agency Agreement. Any Notes issued under the Programme on or after the date hereof shall have the benefit of this Agreement.

IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Terms and expressions defined in the Programme Agreement or the Notes or used in the applicable Final Terms shall have the same meanings in this Agreement, except where the context requires otherwise or unless otherwise stated.

1.2 Without prejudice to the foregoing:

CGN means a Temporary Global Note or a Permanent Global Note the applicable Final Terms of which indicate that such Temporary Global Note or Permanent Global Note is not a New Global Note;

Clearstream, Luxembourg means Clearstream Banking, société anonyme;

Conditions means, in relation to the Notes of any Series, the terms and conditions endorsed on or incorporated by reference into the Note or Notes constituting such Series, such term and conditions being in or substantially in the form set out in Schedule 1 or in such other form, having regard to the terms of the Notes of the relevant Series, as may be agreed between the Issuer, the Agent and the relevant Dealer(s) as modified and supplemented by the Final Terms applicable to the Notes of the relevant Series;

Coupon means an interest coupon appertaining to a Definitive Note (other than a Zero Coupon Note), such coupon being:

- (a) if appertaining to a Fixed Rate Note, in the form or substantially in the form set out in Part IV A of Schedule 2 or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the Issuer, the Agent and the relevant Dealer(s); or
- (b) if appertaining to a Floating Rate Note or an Indexed Interest Note, in the form or substantially in the form set out in Part IV B of Schedule 2 or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the Issuer, the Agent and the relevant Dealer(s); or
- (c) if appertaining to a Definitive Note which is neither a Fixed Rate Note nor a Floating Rate Note nor an Indexed Interest Note, in such form as may be agreed between the Issuer, the Agent and the relevant Dealer(s), and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 10;

Couponholders means the several persons who are for the time being holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons;

Deed of Covenant means the deed poll dated the date of this Agreement, substantially in the form set out in Schedule 3, executed as a deed by the Issuer in favour of certain account holders with Euroclear and Clearstream, Luxembourg;

Definitive Note means a definitive Note issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any Offer agreement between the Issuer and the relevant Dealer(s) in exchange for all or a part of either a Temporary Global Note or a Permanent Global Note (all as indicated in the applicable Final Terms), such definitive Note being in the form or substantially in the form set out in Part III of Schedule 2 with such modifications (if any) as may be agreed between the Issuer, the Agent and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference and having the applicable Final Terms (or the relevant provisions thereof) either endorsed thereon or attached thereto and (except in the case of a Zero Coupon Note) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

Dual Currency Note means a Note in respect of which payments of principal and/or interest are made or to be made in such different currencies, and at rates of exchange

calculated upon such basis or bases, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

euro means the currency established pursuant to the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community (as amended from time to time);

Euroclear means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

Eurosystem-eligible NGN means an NGN which is intended to be held in a manner which would allow Eurosystem eligibility, as stated in the applicable Final Terms;

Fixed Rate Note means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Floating Rate Note means a Note on which interest is calculated at a floating rate payable one, two, three, six or twelve monthly or in respect of such other period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Global Note means a Temporary Global Note and/or a Permanent Global Note, as applicable;

Indexed Interest Note means a Note in respect of which the amount payable in respect of interest is calculated by reference to an index and/or a formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

Indexed Note means an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;

Indexed Redemption Amount Note means a Note in respect of which the amount payable in respect of principal is calculated by reference to an index and/or a formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

Interest Commencement Date means, in the case of interest-bearing Notes, the date specified in the applicable Final Terms from (and including) which such Notes bear interest, which may or may not be the Issue Date;

Issue Date means the date of issue and purchase of a Note, in each case pursuant to and in accordance with the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), being in the case of any Permanent Global Note issued in exchange for a Temporary Global Note or any Definitive Note, the same date as the date of issue of the Temporary Global Note which initially represented such Note;

Issue Price means the price, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued;

Maturity Date means, in relation to a Note, the date on which it is expressed to be redeemable;

NGN or New Global Note means a Temporary Global Note or a Permanent Global Note the applicable Final Terms of which indicate that such Temporary Global Note or Permanent Global Note is a New Global Note;

Note means a note denominated in Australian Dollars, Canadian Dollars, Danish Kroner, euro, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Sterling, Swedish Kronor, Swiss Francs, U.S. Dollars or such other currency or currencies as may be agreed between the Issuer and the relevant Dealer(s) issued or to be issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) and which shall initially be represented by, and comprised in, either (i) a Temporary Global Note which may (in accordance with the terms of such Temporary Global Note) be exchanged for either Definitive Notes or a Permanent Global Note which Permanent Global Note may (in accordance with the term of such Permanent Global Note) in turn be exchanged for Definitive Notes (all as indicated in the applicable Final Terms) or (ii) if so indicated in the applicable Final Terms, a Permanent Global Note exchangeable for Definitive Notes, and includes any replacements for a Note issued pursuant to Condition 10 and, where applicable, the Receipts relating thereto;

Noteholders means the several persons who are for the time being holders of the Notes save that, in respect of the Notes of any Series, for so long as such Notes or any part thereof are represented by a Global Note held on behalf of Euroclear and/or of Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of the Notes of such Series (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder**, **holder of Notes** and related expressions shall be construed accordingly;

outstanding means, in relation to the Notes, all the Notes issued other than (a) those which have been redeemed in full in accordance with the Conditions, (b) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Conditions after such date) have been duly paid to the Agent as provided herein (and, where appropriate, notice has been given to the Noteholders of the relevant Series in accordance with Condition 13) and remain available for payment against presentation of Notes, (c) those which have become void under Condition 8, (d) those which have

been purchased and cancelled as provided in Condition 6, (e) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes pursuant to Condition 10, (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued pursuant to Condition 10, (g) Temporary Global Notes to the extent that they shall have been duly exchanged for Permanent Global Notes and/or Definitive Notes and Permanent Global Notes to the extent that they shall have been duly exchanged for Definitive Notes, in each case pursuant to their respective provisions and (h) Temporary Global Notes and Permanent Global Notes which have become void in accordance with their terms (provided that at the Relevant Time (as defined in the Deed of Covenant) the Underlying Notes (as defined in the Deed of Covenant) will be deemed to be still outstanding)

and,

PROVIDED THAT for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders or any of them; and
- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of paragraphs 2, 5, 6 and 9 of Schedule 4,

those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or any Subsidiary) for the benefit of the Issuer or any Subsidiary shall (unless and until ceasing to be so held) be deemed not to be outstanding;

Permanent Global Note means a global note in the form or substantially in the form set out in Part II of Schedule 2 together with the copy of the applicable Final Terms attached thereto with such modifications (if any) as may be agreed between the Issuer, the Agent and the relevant Dealer(s), comprising some or all of the Notes of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) and:

- (a) issued in exchange for the whole or part of any Temporary Global Note issued initially in respect of such Notes; or
- (b) in the case of Notes that meet the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) or in the case of Notes with a maturity (at issue) of 183 days or less, issued initially in respect of such Notes;

Programme Agreement means the programme agreement of even date herewith as amended, supplemented or restated from time to time between the Issuer and the dealers named therein relating to the Programme;

Receipt means a receipt attached on issue to a Definitive Note redeemable in instalments for the payment of an instalment of principal, such receipt being in the form or substantially in the form set out in Part V of Schedule 2 or in such other form

as may be agreed between the Issuer, the Agent and the relevant Dealer(s) and includes any replacements for Receipts issued pursuant to Condition 10;

Receiptholders means the several persons who are for the time being holders of the Receipts;

Series means a Tranche of the Notes together with any further Tranche or Tranches of the Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Notes of the relevant Series** and **holders of Notes of the relevant Series** and related expressions shall be construed accordingly;

Subsidiary means any company which is for the time being a subsidiary or a subsidiary undertaking (within the meaning of Sections 736 and 258 respectively of the Companies Act 1985 of Great Britain) of the Issuer;

Talons means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, a Definitive Note (other than a Zero Coupon Note), such talons being in the form or substantially in the form set out in Part VI of Schedule 2 or in such other form as may be agreed between the Issuer, the Agent and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 10;

Temporary Global Note means a global note in the form or substantially in the form set out in Part I of Schedule 2 together with the copy of the applicable Final Terms attached thereto with such modifications (if any) as may be agreed between the Issuer, the Agent and the relevant Dealer(s), comprising some or all of the Notes of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s);

Tranche means all Notes which are identical in all respects (including as to listing); and

Zero Coupon Note means a Note on which no interest is payable.

1.3 Words denoting the singular number only shall include the plural number also and vice versa; words denoting one gender only shall include the other gender; and words denoting persons only shall include firms and corporations and vice versa.

1.4 All references in this Agreement to costs or charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof.

1.5 For the purposes of this Agreement, the Notes of each Series shall form a separate series of Notes and the provisions of this Agreement shall apply *mutatis mutandis* separately and independently to the Notes of each Series and in this Agreement the expressions **Notes, Noteholders, Receipts, Receiptholders, Coupons, Couponholders** and **Talons** shall be construed accordingly.

1.6 All references in this Agreement to principal and/or interest or both in respect of the Notes or to any moneys payable by the Issuer under this Agreement shall have the meaning set out in Condition 5.

1.7 All references in this Agreement to the “relevant currency” shall be construed as references to the currency in which the relevant Notes and/or Coupons are denominated (or payable in the case of Dual Currency Notes).

1.8 In this Agreement, Clause headings are inserted for convenience and ease of reference only and shall not affect the interpretation of this Agreement. All references in this Agreement to the provisions of any statute shall be deemed to be references to that statute as from time to time modified, extended, amended or re-enacted or to any statutory instrument, order or, regulation made thereunder or under such re-enactment.

1.9 All references in this Agreement to an agreement, instrument or other document (including, without limitation, this Agreement, the Programme Agreement, the Deed of Covenant, the Notes and any Conditions appertaining thereto) shall be construed as a reference to that agreement, instrument or document as the same may be amended, modified, varied or supplemented from time to time.

1.10 Any references herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer and the Agent.

1.11 Unless the contrary intention appears, all references in this Agreement to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers, which reflect the amount of such customer’s interest in the Notes.

2. APPOINTMENT OF AGENT AND PAYING AGENTS

2.1 The Agent is hereby appointed, and the Agent hereby agrees to act, as agent of the Issuer, upon the terms and subject to the conditions set out below, for the purposes of, *inter alia*:

- (a) completing, authenticating and delivering Global Notes and (if required) completing, authenticating and delivering Definitive Notes;
- (b) giving effectuation instructions in respect of each Global Note which is a Eurosystem-eligible NGN;
- (c) exchanging Temporary Global Notes for Permanent Global Notes or Definitive Notes, as the case may be, in accordance with the terms of such Temporary Global Notes;
- (d) exchanging Permanent Global Notes for Definitive Notes in accordance with the terms of such Permanent Global Notes;

- (e) paying sums due on Global Notes and Definitive Notes, and Coupons and instructing Euroclear and Clearstream, Luxembourg to make appropriate entries in respect of all Global Notes which are NGNs;
- (f) exchanging Talons for Coupons in accordance with the Conditions;
- (g) determining the end of the restricted period applicable to each Tranche;
- (h) unless otherwise specified in the applicable Final Terms, determining the interest and/or other amounts payable in respect of the Notes in accordance with the Conditions;
- (i) arranging on behalf of the Issuer for notices to be communicated to the Noteholders;
- (j) preparing and sending monthly reports to the Bank of England and the Ministry of Finance of Japan and ensuring that, as directed by the Issuer, all necessary action is taken to comply with any reporting requirements of any competent authority in respect of any relevant currency as may be in force from time to time with respect to the Notes to be issued under the Programme;
- (k) subject to the Procedures Memorandum, submitting to the relevant Stock Exchange such number of copies of each Final Terms which relates to Notes which are to be listed as it may reasonably require;
- (l) receipt of certification required pursuant to United States Treasury Regulation 1.163-5(c)(2)(i)(D)(3) and the prompt onward delivery to the Issuer; and
- (m) performing all other obligations and duties imposed upon it by the Conditions and this Agreement.

2.2 Each Paying Agent is hereby appointed as paying agent of the Issuer, upon the terms and subject to the conditions set out below, for the purposes of paying sums due on Notes, Receipts and Coupons and of performing all other obligations and duties imposed upon it by the Conditions and this Agreement.

2.3 In relation to each issue of Eurosystem-eligible NGNs, the Issuer hereby authorises and instructs the Agent to elect Euroclear or Clearstream, Luxembourg as common safekeeper. From time to time, the Issuer and the Agent may agree to vary this election. The Issuer acknowledges that any such election is subject to the right of Euroclear and Clearstream, Luxembourg to jointly determine that the other shall act as common safekeeper in relation to any such issue and agrees that no liability shall attach to the Agent in respect of any such election made by it.

2.4 The Notes (including all Temporary Global Notes, Permanent Global Notes and Definitive Notes and any Receipts, Coupons and Talons) will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in this legend provide that, with exceptions, a United States person will not

be permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain realized on the sale, exchange or redemption of that Note. The following legend will appear on all Notes that have maturity (at issue) of 183 days or less: “By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder).”

3. ISSUE OF GLOBAL NOTES

3.1 Subject to Clause 3.4, following receipt of (i) in the case of an issue not subscribed pursuant to a Subscription Agreement, a faxed copy of the Final Terms signed by the Issuer or (ii) in the case of an issue subscribed pursuant to a Subscription Agreement, an executed copy of the Subscription Agreement, the Issuer hereby authorises the Agent and the Agent hereby agrees to take the steps required of the Agent in the Procedures Memorandum.

3.2 For the purpose of Clause 3.1 the Agent will, *inter alia*, on behalf of the Issuer if specified in the applicable Final Terms or form of Final Terms appearing in the Subscription Agreement that a Temporary Global Note will initially represent the Tranche of Notes:

- (a) prepare a Temporary Global Note by attaching a copy of the applicable Final Terms to a copy of the applicable master Temporary Global Note and ensure that such Temporary Global Note bears the legend or legends required under Clause 2.4;
- (b) authenticate such Temporary Global Note;
- (c) deliver such Temporary Global Note to the specified common depositary (if the Temporary Global Note is a CGN) or specified common safekeeper (if the Temporary Global Note is an NGN) of Euroclear and/or Clearstream, Luxembourg and, in the case of a Temporary Global Note which is a Eurosystem-eligible NGN, instruct the common safekeeper to effectuate the same, against receipt from the common depositary or common safekeeper, as appropriate, of confirmation that such common depositary or common safekeeper, as appropriate, is holding the Temporary Global Note in safe custody for the account of Euroclear and/or Clearstream, Luxembourg;
- (d) if the Temporary Global Note is a CGN, instruct Euroclear or Clearstream, Luxembourg or both of them (as the case may be), unless otherwise agreed in writing between the Agent and the Issuer, (i) in the case of an issue of Notes not subscribed pursuant to a Subscription Agreement, to credit the Notes represented by such Temporary Global Note to the Agent’s distribution account, and (ii) in the case of Notes subscribed pursuant to a Subscription Agreement, to hold the Notes represented by such Temporary Global Note to the Issuer’s order;

- (e) if the Temporary Global Note is an NGN, instruct Euroclear and Clearstream, Luxembourg to make the appropriate entries in their records to reflect the initial outstanding aggregate principal amount of the relevant Tranche of Notes; and
- (f) ensure that the Notes of each Tranche are assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until 40 days after the completion of the distribution of the Notes of such Tranche as notified by the Agent to the relevant Dealer.

3.3 For the purpose of Clause 3.1 the Agent will, *inter alia*, on behalf of the Issuer if specified in the applicable Final Terms or form of Final Terms appearing in the Subscription Agreement that a Permanent Global Note will initially represent the Notes on issue:

- (a) in the case of the first Tranche of any Series of Notes, prepare and complete a Permanent Global Note by attaching a copy of the applicable Final Terms to a copy of the master Permanent Global Note and ensure that such Permanent Global Note bears the legend or legends required under Clause 2.4;
- (b) in the case of the first Tranche of any Series of Notes, authenticate such Permanent Global Note;
- (c) in the case of the first Tranche of any Series of Notes, deliver such Permanent Global Note if such Permanent Global Note is a CGN, to the common depositary for the time being on behalf of Euroclear and/or Clearstream, Luxembourg;
- (d) in any other case by attaching a copy of the applicable Final Terms to the Permanent Global Note applicable to the relevant Series (and such Permanent Global Note must bear the legend or legends required under Clause 2.4);
- (e) if the Permanent Global Note is an NGN, instruct Euroclear and Clearstream, Luxembourg to make the appropriate entries in their records to reflect the initial outstanding aggregate principal amount of the relevant Tranche of Notes;
- (f) in the case of a subsequent Tranche of any Series of Notes deliver the applicable Final Terms to the specified common depositary or common safekeeper, as the case may be, for attachment to the Permanent Global Note and, in the case where the Permanent Global Note is a CGN, make all appropriate entries on the relevant Schedule to the Permanent Global Note to reflect the increase in its nominal amount or, in the case where the Permanent Global Note is an NGN, instruct Euroclear and Clearstream, Luxembourg to make the appropriate entries in their records to reflect the increased outstanding aggregate principal amount of the relevant Series; and
- (g) ensure that the Notes of each Tranche are assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the

common code and ISIN assigned to the Notes of any other Tranche of the same Series until 40 days after the completion of the distribution of the Notes of such Tranche as notified by the Agent to the relevant Dealer.

3.4 The Agent shall only be required to perform its obligations under Clause 3.1 if it holds:

- (a) a master Temporary Global Note for Sterling denominated Notes and a master Temporary Global Note for non-Sterling denominated Notes, each duly executed by a person or persons authorised to execute the same on behalf of the Issuer, which may be used by the Agent for the purpose of preparing a Temporary Global Note in accordance with Clause 3.2(a); and
- (b) a master Permanent Global Note for Sterling denominated Notes and a master Permanent Global for non-Sterling denominated Notes, each duly executed by a person or persons authorised to execute the same on behalf of the Issuer, which may be used by the Agent for the purpose of preparing a Permanent Global Note in accordance with Clause 4.

4. DETERMINATION OF EXCHANGE DATE, ISSUE OF PERMANENT GLOBAL NOTES AND DEFINITIVE NOTES IN EXCHANGE FOR TEMPORARY GLOBAL NOTES AND DETERMINATION OF END OF RESTRICTED PERIOD

- 4.1 (a) The Agent shall determine the Exchange Date for each Temporary Global Note in accordance with the terms thereof. Forthwith upon determining the Exchange Date in respect of any Tranche, the Agent shall notify such determination to the Issuer, the relevant Dealer, Euroclear and Clearstream, Luxembourg.
- (b) The Agent shall deliver, upon notice from Euroclear or Clearstream, Luxembourg, a Permanent Global Note or Definitive Notes, as the case may be, in accordance with the terms of the Temporary Global Note (which terms will include obtaining certification required for U.S. tax purposes pursuant to U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(3) for Notes other than (x) Notes meeting the requirements of U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(3)(iii) and (y) Notes with a maturity (at issue) of 183 days or less). Where a Temporary Global Note is to be exchanged for a Permanent Global Note, the Agent is hereby authorised on behalf of the Issuer:
- (i) in the case of the first Tranche of any Series of Notes, to prepare and complete a Permanent Global Note in accordance with the terms of the Temporary Global Note applicable to such Tranche by attaching a copy of the applicable Final Terms to a copy of the applicable master Permanent Global Note and ensure that such Permanent Global Note bears the legend or legends required under Clause 2.4;
 - (ii) in the case of the first Tranche of any Series of Notes, to authenticate such Permanent Global Note;

- (iii) in the case of the first Tranche of any Series of Notes, to deliver such Permanent Global Note, if the applicable Final Terms indicate that this Global Note is not a New Global Note, to the common depositary which is holding the Temporary Global Note applicable to such Tranche for the time being on behalf of Euroclear and/or Clearstream, Luxembourg either in exchange for such Temporary Global Note or, in the case of a partial exchange, to enter details of such partial exchange of the Temporary Global Note in the relevant spaces in Schedule Two of both the Temporary Global Note and the Permanent Global Note, or, if the applicable Final Terms indicate that this Global Note is a New Global Note, to deliver to the common safekeeper; and
- (iv) in any other case, by attaching a copy of the applicable Final Terms to the Permanent Global Note applicable to the relevant Series and entering details of any exchange in whole or part as aforesaid. Such Permanent Global Note must bear the legend or legends required under Clause 2.4.

- 4.2
- (a) In the case of a Tranche in respect of which there is only one Dealer, the Agent will determine the end of the restricted period in respect of such Tranche as being the fortieth day following the date certified by the relevant Dealer to the Agent as being the date as of which distribution of the Notes of that Tranche was completed.
 - (b) In the case of a Tranche in respect of which there is more than one Dealer but is not issued on a syndicated basis, the Agent will determine the end of the restricted period in respect of such Tranche as being the fortieth day following the latest of the dates certified by all the relevant Dealers to the Agent as being the respective dates as of which distribution of the Notes of that Tranche purchased by each such Dealer was completed.
 - (c) In the case of a Tranche issued on a syndicated basis, the Agent will determine the end of the restricted period in respect of such Tranche as being the fortieth day following the date certified by the Lead Manager to the Agent as being the date as of which distribution of the Notes of that Tranche was completed.
 - (d) Forthwith upon determining the end of the restricted period in respect of any Tranche, the Agent shall notify such determination to the Issuer, Euroclear, Clearstream, Luxembourg and the relevant Dealer(s) (in the case of a non-syndicated issue) or the Lead Manager (in the case of a syndicated issue).

5. ISSUE OF DEFINITIVE NOTES

5.1 Upon notice from Euroclear or Clearstream, Luxembourg pursuant to the terms of a Temporary Global Note or a Permanent Global Note, as the case may be, the Agent shall deliver the relevant Definitive Note(s) in accordance with the terms of the relevant Global Note (which terms will include obtaining certification for U.S. tax purposes pursuant to U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(3) for Notes other than (x) Notes meeting the requirements of U.S. Treasury Regulation

Section 1.163-5(c)(2)(i)(D)(3)(iii) and (y) Notes with a maturity (at issue) of 183 days or less). For this purpose the Agent is hereby authorised on behalf of the Issuer:

- (a) to authenticate such Definitive Note(s) in accordance with the provisions of this Agreement; and
- (b) to deliver such Definitive Note(s) to, or to the order of, Euroclear and/or Clearstream, Luxembourg either in exchange for such Global Notes or, in the case of a partial exchange of a Temporary Global Note, on entering details of any partial exchange of the Temporary Global Note in the relevant space in Schedule Two of such Temporary Global Note.

All Definitive Notes must bear the legend or legends required under Clause 2.4.

The Agent shall notify the Issuer forthwith upon receipt of a request for issue of a Definitive Note or Definitive Notes in accordance with the provisions of a Temporary Global Note or Permanent Global Note, as the case may be, and the aggregate nominal amount of such Temporary Global Note or Permanent Global Note, as the case may be, to be exchanged in connection therewith.

5.2 The Issuer undertakes to deliver to, or to the order of, the Agent sufficient numbers of executed Definitive Notes with, if applicable, Receipts, Coupons and Talons attached to enable the Agent to comply with its obligations under this Clause.

6. TERMS OF ISSUE

6.1 The Agent shall cause all Temporary Global Notes, Permanent Global Notes and Definitive Notes delivered to it, or to its order and held by it or at its order under this Agreement to be maintained in safe custody and shall ensure that such Notes are issued only in accordance with the provisions of this Agreement and the relevant Global Note and Conditions.

6.2 Subject to the procedures set out in the Procedures Memorandum, for the purposes of Clause 3 the Agent is entitled to treat a telephone, telex or facsimile communication from a person purporting to be (and who the Agent believes in good faith to be) the authorised representative of the Issuer named in the list referred to in, or notified pursuant to, Clause 19.7 as sufficient instructions and authority of the Issuer for the Agent to act in accordance with Clause 3.1.

6.3 In the event that a person who has signed on behalf of the Issuer any Note not yet issued but held by the Agent in accordance with Clause 3.1 ceases to be authorised as described in Clause 19.7, the Agent shall (unless the Issuer gives notice to the Agent that Notes signed by that person do not constitute valid and binding obligations of the Issuer or otherwise until replacements have been provided to the Agent) continue to have authority to issue any such Notes, and the Issuer hereby warrants to the Agent that such Notes shall, unless notified as aforesaid, be valid and binding obligations of the Issuer. Promptly upon such person ceasing to be authorised, the Issuer shall provide the Agent with replacement Notes and upon receipt of such replacement Notes the Agent shall cancel and destroy the Notes held by it which are

signed by such person and shall provide to the Issuer a confirmation of destruction in respect thereof specifying the Notes so cancelled and destroyed.

6.4 If the Agent pays an amount (the **Advance**) to the Issuer on the basis that a payment (the **Payment**) has been, or will be, received from a Dealer and if the Payment is not received by the Agent on the date the Agent pays the Issuer, the Issuer shall repay to the Agent the Advance and shall pay interest on the Advance (or the unreimbursed portion thereof) from (and including) the date such Advance is made to (but excluding) the earlier of repayment of the Advance and receipt by the Agent of the Payment (at a rate quoted at that time by the Agent as its cost of funding the Advance provided that evidence of the basis of such rate is given to the Issuer).

6.5 Except in the case of issues where the Agent does not act as receiving bank for the Issuer in respect of the purchase price of the Notes being issued, if on the relevant Issue Date a Dealer does not pay the full purchase price due from it in respect of any Note (the **Defaulted Note**) and, as a result, the Defaulted Note remains in the Agent's distribution account with Euroclear and/or Clearstream, Luxembourg after such Issue Date, the Agent will continue to hold the Defaulted Note to the order of the Issuer. The Agent shall notify the Issuer forthwith of the failure of the Dealer to pay the full purchase price due from it in respect of any Defaulted Note and, subsequently, shall notify the Issuer forthwith upon receipt from the Dealer of the full purchase price in respect of such Defaulted Note.

7. PAYMENTS

7.1 Subject to the final paragraph of Condition 5(b), no payment on any Note or Coupon will be made at the corporate trust office of a Paying Agent or any other agency maintained by the Issuer in the United States nor will any payment be made by any transfer to an account in, or by mail to an address in, the United States except as may be permitted by U.S. tax law in effect at the time of such payment without detriment to the Issuer in the opinion of the Issuer.

If such payment may be made the Issuer will notify the Agent accordingly.

The Issuer will, before 10 a.m. (local time in the relevant financial centre of the payment), on each date on which any payment in respect of any Note becomes due, transfer to an account specified by the Agent such amount in the relevant currency as shall be sufficient for the purposes of such payment in funds settled through such payment system as the Agent and the Issuer may agree.

7.2 The Issuer will ensure that no later than 10.00 a.m. (London time) on the second Business Day (as defined below) immediately preceding the date on which any payment is to be made to the Agent pursuant to Clause 7.1, the Agent shall receive from the paying bank of the Issuer a payment confirmation in the form of a tested telex or authenticated SWIFT MT100 message or other form acceptable to the Agent. For the purposes of this Clause **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments in London and any other place specified in the applicable Final Terms as an Additional Business Centre; and

(b) either (1) in relation to a payment to be made in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) and which if the Specified Currency is Australian Dollars or New Zealand Dollars, shall be Sydney and Auckland respectively or (ii) in relation to a payment to be made in euro, is a Target Settlement Day. **Target Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

7.3 (a) The Agent shall ensure that no payments in respect of a Temporary Global Note will be made if certification of non-U.S. beneficial ownership as required by U.S. securities laws and U.S. Treasury regulations (in the form set out in the Temporary Global Note) has not been received from Euroclear and/or Clearstream, Luxembourg in accordance with the terms thereof and forwarded to the Issuer.

(b) In the case of any Permanent Global Note that is issued initially in respect of any Notes (other than Notes with a maturity (at issue) of 183 days or less), the Agent shall ensure that no payments in respect of a Permanent Global Note will be made if the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) are not met.

7.4 Subject to the receipt by the Agent of the payment confirmation as provided in Clause 7.2 above, the Agent or the relevant Paying Agent shall pay or cause to be paid all amounts due in respect of the Notes on behalf of the Issuer in the manner provided in the Conditions. If any payment provided for in Clause 7.1 is made late but otherwise in accordance with the provisions of this Agreement, the Agent and each Paying Agent shall nevertheless make payments in respect of the Notes as aforesaid following receipt by it of such payment.

7.5 If for any reason the Agent considers in its sole discretion that the amounts to be received by the Agent pursuant to Clause 7.1 will be, or the amounts actually received by it pursuant thereto are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Notes, neither the Agent nor any Paying Agent shall be obliged to pay any such claims until the Agent has received the full amount of all such payments.

7.6 Without prejudice to Clauses 7.4 and 7.5, if the Agent pays any amounts to the holders of Notes, Receipts or Coupons or to any Paying Agent at a time when it has not received payment in full in respect of the relevant Notes in accordance with Clause 7.1 (the excess of the amounts so paid over the amounts so received being the **shortfall**), the Issuer will, in addition to paying amounts due under Clause 7.1, pay to the Agent on demand interest (at a rate which represents the Agent's cost of funding the Shortfall) on the Shortfall (or the unreimbursed portion thereof) until the receipt in full by the Agent of the Shortfall.

7.7 The Agent shall on demand promptly reimburse each Paying Agent for payments in respect of Notes properly made by such Paying Agent in accordance with this Agreement and the Conditions unless the Agent has notified the Paying Agent,

prior to the opening of business in the location of the office of the Paying Agent through which payment in respect of the Notes can be made on the due date of payment in respect of the Notes, that the Agent does not expect to receive sufficient funds to make payment of all amounts falling due in respect of such Notes.

7.8 Whilst any Notes are represented by Global Notes, all payments due in respect of such Notes shall be made to, or to the order of, the holder of the Global Notes, subject to and in accordance with the provisions of the Global Notes. On the occasion of any such payment, (i) in the case of an CGN, the Paying Agent to which the Global Note was presented for the purpose of making such payment shall cause the appropriate Schedule to the relevant Global Note to be annotated so as to evidence the amounts and dates of such payments of principal and/or interest as applicable or (ii) in the case of any Global Note which is an NGN, the agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

7.9 If the amount of principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made therefrom), (i) the Paying Agent to which a Note is presented for the purpose of making such payment shall, unless the Note is an NGN, make a record of such Shortfall on the Note and such record shall, in the absence of manifest error, be *prima facie* evidence that the payment in question has not to that extent been made or (ii) in the case of any Global Note which is an NGN, the Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such shortfall in payment.

8. DETERMINATIONS AND NOTIFICATIONS IN RESPECT OF NOTES AND INTEREST DETERMINATION

8.1 Determinations and Notifications

- (a) The Agent shall make all such determinations and calculations (howsoever described) as it is required to do under the Conditions, all subject to and in accordance with the Conditions.
- (b) The Agent shall not be responsible to the Issuer or to any third party (except in the event of negligence, default or bad faith of the Agent, as the case may be) as a result of the Agent having acted on any quotation given by any Reference Bank which subsequently may be found to be incorrect.
- (c) The Agent shall promptly notify (and confirm in writing to) the Issuer, the other Paying Agents and (in respect of a Series of Notes listed on a Stock Exchange) the relevant Stock Exchange of, *inter alia*, each Rate of Interest, Interest Amount and Interest Payment Date and all other amounts, rates and dates which it is obliged to determine or calculate under the Conditions as soon as practicable after the determination thereof and of any subsequent amendment thereto pursuant to the Conditions.
- (d) The Agent shall use its best endeavours to cause each Rate of Interest, Interest Amount and Interest Payment Date and all other amounts, rates and dates

which it is obliged to determine or calculate under the Conditions to be published as required in accordance with the Conditions as soon as possible after their determination or calculation.

- (e) If the Agent does not at any material time for any reason determine and/or calculate and/or publish the Rate of Interest, Interest Amount and/or Interest Payment Date in respect of any Interest Period or any other amount, rate or date as provided in this Clause, it shall forthwith notify the Issuer and the Paying Agents of such fact.
- (f) Determinations with regard to Notes (including, without limitation, Indexed Notes and Dual Currency Notes) shall be made by the Calculation Agent specified in the applicable Final Terms in the manner specified in the applicable Final Terms. Unless otherwise agreed between the Issuer and the relevant Dealer, such determinations shall be made on the basis of a Calculation Agency Agreement substantially in the form of the Appendix to this Agreement.

8.2 Interest Determination, Screen Rate Determination including Fallback Provisions

- (a) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
 - (i) the offered quotation; or
 - (ii) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations, is (expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.
- (b) If the Relevant Screen Page is not available or, if in the case of (a)(i) above, no such offered quotation appears or, in the case of (a)(ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph the Agent shall request the principal London office of each of the Reference Banks (as defined below) to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (London time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall

be the arithmetic mean (rounded if necessary to the fourth decimal place with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

- (c) If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (London time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Agent it is quoting to leading banks in the London inter-bank market plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).
- (d) **Reference Banks** means, in the case of (a)(i) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (a)(ii) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than, three such offered quotations appeared.
- (e) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than the London inter-bank offered rate, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

9. NOTICE OF ANY WITHHOLDING OR DEDUCTION

If the Issuer is, in respect of any payment, compelled to withhold or deduct any amount for or on account of taxes, duties, assessments or governmental charges as specifically contemplated under the Conditions, the Issuer shall give notice thereof to

the Agent as soon as practicable after it becomes aware of the requirement to make such withholding or deduction and shall give to the Agent such information as it shall reasonably require to enable it to comply with such requirement.

10. DUTIES OF THE AGENT IN CONNECTION WITH EARLY REDEMPTION

10.1 If the Issuer decides to redeem any Notes for the time being outstanding prior to their Maturity Date in accordance with the Conditions, the Issuer shall give notice of such decision to the Agent not less than 15 days before the date on which the Issuer will give notice to the Noteholders in accordance with the Conditions of such redemption in order to enable the Agent to undertake its obligations herein and in the Conditions.

10.2 If some only of the Notes are to be redeemed on such date, the Agent shall make the required drawing in accordance with the Conditions but shall give the Issuer reasonable notice of the time and place, proposed for such drawing and the Issuer shall be entitled to send representatives to attend such drawing.

10.3 The Agent shall publish the notice required in connection with any such redemption and shall at the same time also publish a separate list of the serial numbers of any Notes previously drawn and not presented for redemption. Such notice shall specify the date fixed for redemption, the redemption amount, the manner in which redemption will be effected and, in the case of a partial redemption, the serial numbers of the Notes to be redeemed. Such notice will be published in accordance with the Conditions. The Agent will also notify the other Paying Agents of any date fixed for redemption of any Notes.

10.4 Each Paying Agent will keep a stock of notices (each a **Put Notice**) in the form set out in Schedule 5 and will make such notices available on demand to holders of Notes, the Conditions of which provide for redemption at the option of Noteholders. Upon receipt of any Note deposited in the exercise of such option in accordance with the Conditions, the Paying Agent with which such Note is deposited shall hold such Note (together with any Receipts, Coupons and Talons relating to it deposited with it) on behalf of the depositing Noteholder (but shall not, save as provided below, release it) until the due date for redemption of the relevant Note consequent upon the exercise of such option, when, subject as provided below, it shall present such Note (and any such Receipts, Coupons and Talons) to itself for payment of the amount due thereon together with any interest due on such date in accordance with the Conditions and shall pay such moneys in accordance with the directions of the Noteholder contained in the Put Notice. If, prior to such due date for its redemption such Note becomes immediately due and payable or if upon due presentation payment of such redemption moneys is improperly withheld or refused, the Paying Agent concerned shall post such Note (together with any such Receipts, Coupons and Talons) by uninsured post to, and at the risk of, the relevant Noteholder unless the Noteholder has otherwise requested and paid the costs of such insurance to the relevant Paying Agent at the time of depositing the Notes at such address as may have been given by the Noteholder in the Put Notice. At the end of each period for the exercise of such option, each Paying Agent shall promptly notify the Agent of the principal amount of the Notes in respect of which such option has been exercised with

it together with their serial numbers and the Agent shall promptly notify such details to the Issuer.

11. RECEIPT AND PUBLICATION OF NOTICES

11.1 Forthwith upon the receipt by the Agent of a demand or notice from any Noteholder in accordance with the Conditions the Agent shall forward a copy thereof to the Issuer.

11.2 On behalf of and at the request and expense of the Issuer, the Agent shall cause to be published all notices required to be given by the Issuer to the Noteholders in accordance with the Conditions.

12. CANCELLATION OF NOTES, RECEIPTS, COUPONS AND TALONS

12.1 All Notes which are redeemed, all Receipts or Coupons which are paid and all Talons which are exchanged shall be cancelled by the Agent or Paying Agent by which they are redeemed, paid or exchanged. The Issuer shall immediately notify the Agent in writing of all Notes which are purchased by the Issuer or any Subsidiary. In addition, all Notes which are purchased by or on behalf of the Issuer or any Subsidiary and are surrendered to a Paying Agent for cancellation, together (in the case of Definitive Notes) with all unmatured Receipts, Coupons or Talons (if any) attached thereto or surrendered therewith, shall be cancelled by the Paying Agent to which they are surrendered. Each of the other Paying Agents shall give to the Agent details of all payments made by it and shall deliver all cancelled Notes, Receipts, Coupons and Talons to or to the order of the Agent.

12.2 A certificate stating:

- (a) the aggregate nominal amount of Notes which have been redeemed and the aggregate amount paid in respect thereof;
- (b) the number of Notes cancelled together (in the case of Notes in definitive form) with details of all unmatured Receipts, Coupons or Talons (if any) attached thereto or delivered therewith;
- (c) the aggregate amount paid in respect of interest on the Notes;
- (d) the total number by maturity date of Receipts, Coupons and Talons so cancelled; and
- (e) (in the case of Definitive Notes) the serial numbers of such Notes,

shall be given to the Issuer by the Agent as soon as reasonably practicable and in any event within three months after the date of such repayment or, as the case may be, payment or exchange.

The Agent shall destroy or procure the destruction of all cancelled Notes, Receipts, Coupons and Talons and, forthwith upon destruction, furnish the Issuer with a

certificate of the serial numbers of the Notes (in the case of Notes in definitive form) and the number by maturity date of Receipts, Coupons and Talons so destroyed.

Without prejudice to the obligations of the Agent pursuant to Clause 2, the Agent shall keep a full and complete record of all Notes, Receipts, Coupons and Talons (other than serial numbers of Coupons, except those which have been replaced pursuant to Condition 10) and of their redemption, purchase by or on behalf of the Issuer or any Subsidiary and cancellation, payment or exchange (as the case may be) and of all replacement Notes, Receipts, Coupons or Talons issued in substitution for mutilated, defaced, destroyed, lost or stolen Notes, Receipts, Coupons or Talons. The Agent shall at all reasonable times make such record available to the Issuer and any persons authorised by it for inspection and for the taking of copies thereof or extracts therefrom.

12.3 The Agent is authorised by the Issuer and instructed (a) in the case of any Global Note which is a CGN, to endorse or to arrange for the endorsement of the relevant Global Note to reflect the reduction in the nominal amount represented by it by the amount so redeemed or purchased and cancelled and (b) in the case of any Global Note which is an NGN, to instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such redemption or purchase and cancellation, as the case may be; provided, that, in the case of a purchase or cancellation, the Issuer has notified the Agent of the same in accordance with Clause 12.1.

12.4 All records and certificates made or given pursuant to this Clause and Clause 13 shall make a distinction between Notes, Receipts, Coupons and Talons of each Series.

12.5 The Agent may call for and shall rely in any records, certificate or other document of or to be issued by Euroclear or Clearstream, Luxembourg in relation to any determination of the principal amount of Notes represented by an NGN. Any such records, certificate or other document shall be conclusive and binding for all purposes. The Agent shall not be liable to any person by reason of having acquired as valid or not having rejected any such records, certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

13. ISSUE OF REPLACEMENT NOTES, RECEIPTS, COUPONS AND TALONS

13.1 The Issuer will cause a sufficient quantity of additional forms of Notes, Receipts, Coupons and Talons to be available, upon request, to the Agent at its specified office for the purpose of issuing replacement Notes, Receipts, Coupons and Talons as provided below.

13.2 The Agent will, subject to and in accordance with the Conditions and the following provisions of this Clause, cause to be delivered any replacement Notes, Receipts, Coupons and Talons which the Issuer may determine to issue in place of Notes, Receipts, Coupons and Talons which have been lost, stolen, mutilated, defaced or destroyed.

13.3 In the case of a mutilated or defaced Note, the Agent shall ensure that (unless otherwise covered by such indemnity as the Issuer may reasonably require) any replacement Note will only have attached to it Receipts, Coupons and Talons corresponding to those (if any) attached to the mutilated or defaced Note which is presented for replacement.

13.4 The Agent shall not issue any replacement Note, Receipt, Coupon or Talon unless and until the claimant therefor shall have:

- (a) paid such costs and expenses as may be incurred in connection therewith;
- (b) furnished it with such evidence and indemnity as the Issuer may reasonably require; and
- (c) in the case of any mutilated or defaced Note, Receipt, Coupon or Talon, surrendered it to the Agent.

13.5 The Agent shall cancel any mutilated or defaced Notes, Receipts, Coupons and Talons in respect of which replacement Notes, Receipts, Coupons and Talons have been issued pursuant to this Clause 13 and shall furnish the Issuer with a certificate stating the serial numbers of the Notes, Receipts, Coupons and Talons so cancelled and, unless otherwise instructed by the Issuer in writing, shall destroy such cancelled Notes, Receipts, Coupons and Talons and furnish the Issuer with a destruction certificate containing the information specified in Clause 12.3.

13.6 The Agent shall, on issuing any replacement Note, Receipt, Coupon or Talon, forthwith inform the Issuer and the other Paying Agents of the serial number of such replacement Note, Receipt, Coupon or Talon issued and (if known) of the serial number of the Note, Receipt, Coupon or Talon in place of which such replacement Note, Receipt, Coupon or Talon has been issued. Whenever replacement Receipts, Coupons or Talons are issued pursuant to the provisions of this Clause 13, the Agent shall also notify the other Paying Agents of the maturity dates of the lost, stolen, mutilated, defaced or destroyed Receipts, Coupons or Talons and of the replacement Receipts, Coupons or Talons issued.

13.7 The Agent shall keep a full and complete record of all replacement Notes, Receipts, Coupons and Talons issued and shall make such record available at all reasonable times to the Issuer and any persons authorised by it for inspection and for the taking of copies thereof or extracts therefrom.

13.8 Whenever any Note, Receipt, Coupon or Talon for which a replacement Note, Receipt, Coupon or Talon has been issued and in respect of which the serial number is known and is presented to the Agent or any of the other Paying Agents for payment, the Agent or, as the case may be, the relevant other Paying Agent shall immediately send notice thereof to the Issuer and the other Paying Agents.

14. COPIES OF DOCUMENTS AVAILABLE FOR INSPECTION

14.1 So long as listed Notes are outstanding or Notes are capable of being issued under the Programme, copies of the following documents will, when published, be

available from the registered office of the Issuer and from the specified office of the Agent in London:

- (a) the Amended and Restated Articles of Incorporation of the Issuer;
- (b) the audit reports and consolidated audited financial statements of the Issuer in respect of the financial years ended 31st December, 2005 and 25th December, 2004 and the condensed consolidated unaudited interim financial statements of the Issuer in respect of the quarterly periods ended 17th June, 2006 and 25th March, 2006;
- (c) the Programme Agreement, this Agreement, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons, the Talons and the Deed of Covenant;
- (d) a copy of the Prospectus;
- (e) any future prospectuses, offering circulars, information memoranda and supplements including Final Terms (save that the Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to the identity of such holder) to the Prospectus and any other documents incorporated therein by reference; and
- (f) in the case of each issue of Notes admitted to trading on the Gilt Edged and Fixed Interest Market, the syndication agreement (or equivalent document).

For this purpose, the Issuer shall furnish the Agent and the Paying Agents with sufficient copies of each of such documents.

14.2 Each of the Paying Agents shall hold available for inspection at its specified office copies of:

- (a) this Agreement and the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons;
- (b) the Deed of Covenant; and
- (c) the Final Terms applicable to each Note save that Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Paying Agent as to identity.

14.3 For the above purposes, the Issuer shall furnish the Agent and the Paying Agent with sufficient copies of each of the relevant documents.

15. MEETINGS OF NOTEHOLDERS

15.1 The provisions of Schedule 4 shall apply to meetings of the Noteholders and shall have effect in the same manner as if set out in this Agreement.

15.2 Without prejudice to Clause 15.1, each of the Agent and the other Paying Agents on the request of any Noteholder shall issue voting certificates and block voting instructions in accordance with Schedule 4 and shall forthwith give notice to the Issuer in writing of any revocation or amendment of a block voting instruction. Each of the Agent and the other Paying Agents will keep a full and complete record of all voting certificates and block voting instructions issued by it and will, not less than 24 hours before the time appointed for holding a meeting or adjourned meeting, deposit at such place as the Agent shall designate or approve, full particulars of all voting certificates and block voting instructions issued by it in respect of such meeting or adjourned meeting.

16. COMMISSIONS AND EXPENSES

16.1 The Issuer agrees to pay to the Agent such fees and commissions as the Issuer and the Agent shall separately agree in respect of the services of the Agent and the other Paying Agents hereunder together with any reasonable expenses (including legal, printing, postage, tax, cable and advertising expenses) incurred by the Agent and the other Paying Agents in connection with their said services.

16.2 The Agent will make payment of the fees and commissions due hereunder to the other Paying Agents and will reimburse their expenses promptly after the receipt of the relevant moneys from the Issuer. The Issuer shall not be responsible for any such payment or reimbursement by the Agent to the other Paying Agents.

17. INDEMNITY

17.1 The Issuer shall indemnify the Agent and its directors and officers and each of the other Paying Agents against any losses, liabilities, costs, claims, actions, demands or expenses (including, but not limited to, all reasonable costs, legal fees, charges and expenses paid or incurred in disputing or defending any of the foregoing) which any of them may incur or which may be made against the Agent or any other Paying Agent as a result of or in connection with its appointment or the exercise of its powers and duties hereunder except such as may result from its own default, negligence or bad faith or that of its officers, directors or employees or the breach by it of the terms of this Agreement.

17.2 Each of the Agent and the other Paying Agents shall severally indemnify the Issuer and its directors and officers against any loss, liability, cost, claim, action, demand or expenses (including, but not limited to, all reasonable costs, legal fees, charges and expenses paid or incurred in disputing or defending any of the foregoing) which any of them may incur or which may be made against any of them as a result of the breach by the Agent or such other Paying Agents of the terms of this Agreement or its default, negligence or bad faith or that of its officers, directors or employees.

18. REPAYMENT BY THE AGENT

Upon the Issuer being discharged from its obligation to make payments in respect of any Notes pursuant to the relevant Conditions, and provided that there is no outstanding, *bona fide* and proper claim in respect of any such payments, the Agent shall forthwith on demand pay to the Issuer sums equivalent to any amounts paid to it by the Issuer for the purposes of such payments.

19. CONDITIONS OF APPOINTMENT

19.1 The Agent shall be entitled to deal with money paid to it by the Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except:

- (a) that it shall not exercise any right of set-off, lien or similar claim in respect thereof;
- (b) as provided in Clause 19.2; and
- (c) that it shall not be liable to account to the Issuer for any interest thereon.

19.2 In acting hereunder and in connection with the Notes, the Agent and the other Paying Agents shall act solely as agents of the Issuer and will not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Notes, Receipts, Coupons or Talons, except that all funds held by the Agent or the other Paying Agents for payment to the Noteholders, Couponholders and Receiptholders shall be held by it, to be applied as set forth herein, but need not be segregated from other funds except as required by law.

19.3 The Agent and the other Paying Agents hereby undertake to the Issuer to perform such obligations and duties, and shall be obliged to perform such duties and only such duties, as are herein, in the Conditions and in the Procedures Memorandum specifically set forth, and no implied duties or obligations shall be read into this Agreement or the Notes against the Agent and the other Paying Agents, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent agent in comparable circumstances.

19.4 The Agent may consult with legal and other professional advisers reasonably acceptable to the Issuer and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

19.5 Each of the Agent and the other Paying Agents shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

19.6 Any of the Agent and the other Paying Agents and their officers, directors and employees may become the owner of, or acquire any interest in, any Notes, Receipts, Coupons or Talons with the same rights that it or he would have if the Agent or the relevant other Paying Agent, as the case may be, concerned were not appointed hereunder, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or Coupons or in connection with any other obligations of the Issuer as freely as if the Agent or the relevant other Paying Agent, as the case may be, were not appointed hereunder.

19.7 The Issuer shall provide the Agent with a certified copy of the list of persons authorised to execute documents and take action on its behalf in connection with this Agreement and shall notify the Agent immediately in writing if any of such persons ceases to be so authorised or if any additional person becomes so authorised together, in the case of an additional authorised person, with evidence satisfactory to the Agent that such person has been so authorised.

20. COMMUNICATION BETWEEN THE PARTIES

A copy of all communications relating to the subject matter of this Agreement between the Issuer and the Noteholders, Receiptholders or Couponholders and any of the Paying Agents (other than the Agent) shall be sent to the Agent by the other relevant Paying Agent.

21. CHANGES IN AGENT AND OTHER PAYING AGENTS

21.1 The Issuer agrees that, for so long as any Note is outstanding, or until moneys for the payment of all amounts in respect of all outstanding Notes have been made available to the Agent and have been returned to the Issuer as provided herein:

- (a) so long as any Notes are listed on any Stock Exchange, there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange;
- (b) there will at all times be a Paying Agent (which may be the Agent) with a specified office in a principal financial centre in continental Europe; and
- (c) there will at all times be an Agent.

In addition, the Issuer shall appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency (as provided in Clause 21.5, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with the Conditions.

21.2 The Agent may (subject as provided in Clause 21.4) at any time resign as Agent by giving at least 90 days' written notice to the Issuer of such intention on its part, specifying the date on which its desired resignation shall become effective.

21.3 The Agent may (subject as provided in Clause 21.4) be removed at any time by the Issuer on at least 45 days' notice by the filing with it of an instrument in writing signed on behalf of the Issuer specifying such removal and the date when it shall become effective.

21.4 Any resignation under Clause 21.2 or removal under Clause 21.3 or 21.5 shall only take effect upon the appointment by the Issuer as hereinafter provided, of a successor Agent and (other than in cases of insolvency of the Agent) on the expiry of the notice to be given under Clause 23. The Issuer agrees with the Agent that if, by the day falling ten days before the expiry of any notice under Clause 21.2, the Issuer has not appointed a successor Agent, then the Agent shall be entitled, on behalf of the Issuer, to appoint as a successor Agent in its place a reputable financial institution of good standing which the Issuer shall approve (such approval not to be unreasonably withheld or delayed).

21.5 In case at any time the Agent resigns, or is removed, or becomes incapable of acting or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or a substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof, or if any order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if a receiver of it or of all or a substantial part of its property is appointed or if any officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor Agent, which shall be a reputable financial institution of good standing may be appointed by the Issuer by an instrument in writing filed with the successor Agent. Upon the appointment as aforesaid of a successor Agent and acceptance by the latter of such appointment and (other than in case of insolvency of the Agent when it shall be of immediate effect) upon expiry of the notice to be given under Clause 23 the Agent so superseded shall cease to be the Agent hereunder.

21.6 Subject to Clause 21.1, the Issuer may, after prior consultation with the Agent, terminate the appointment of any of the other Paying Agents at any time and/or appoint one or more further other Paying Agents by giving to the Agent, and to the relevant other Paying Agent at least 45 days' notice in writing to that effect (other than in the case of insolvency of the other Paying Agent).

21.7 Subject to Clause 21.1, all or any of the Paying Agents may resign their respective appointments hereunder at any time by giving the Issuer and the Agent at least 45 days' written notice to that effect.

21.8 Upon its resignation or removal becoming effective, the Agent or the relevant Paying Agent:

- (a) shall, in the case of the Agent, forthwith transfer all moneys held by it hereunder and the records referred to in Clauses 12.3 and 13.7 to the successor Agent hereunder; and

(b) shall be entitled to the payment by the Issuer of its commissions, fees and expenses for the services therefore rendered hereunder in accordance with the terms of Clause 16.

21.9 Upon its appointment becoming effective, a successor Agent and any new Paying Agent shall, without further act, deed or conveyance, become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of its predecessor or, as the case may be, a Paying Agent with like effect as if originally named as Agent or (as the case may be) a Paying Agent hereunder.

22. MERGER AND CONSOLIDATION

Any corporation into which the Agent or any other Paying Agent may be merged or converted, or any corporation with which the Agent or any of the other Paying Agents may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Agent or any of the other Paying Agents shall be a party, or any corporation to which the Agent or any of the other Paying Agents shall sell or otherwise transfer all or substantially all the assets of the Agent or any other Paying Agent shall, on the date when such merger, conversion, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, become the successor Agent or, as the case may be, other Paying Agent under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto, unless otherwise required by the Issuer and after the said effective date all references in this Agreement to the Agent or, as the case may be, such other Paying Agent shall be deemed to be references to such corporation. Written notice of any such merger, conversion, consolidation or transfer shall forthwith be given to the Issuer by the relevant Agent or other Paying Agent.

23. NOTIFICATION OF CHANGES TO PAYING AGENTS

Following receipt of notice of resignation from the Agent or any other Paying Agent and forthwith upon appointing a successor Agent or, as the case may be, further or other Paying Agents or on giving notice to terminate the appointment of any Agent or, as the case may be, other Paying Agent, the Agent (on behalf of and at the expense of the Issuer) shall give or cause to be given not more than 45 days' nor less than 30 days' notice thereof to the Noteholders in accordance with the Conditions.

24. CHANGE OF SPECIFIED OFFICE

If the Agent or any other Paying Agent determines to change its specified office it shall (after having, in any such case other than a change of specified office within the same city, obtained the prior written approval of the Issuer thereto) give to the Issuer and (if applicable) the Agent written notice of such determination giving the address of the new specified office which shall be in the same city and stating the date on which such change is to take effect, which shall not be less than 45 days thereafter. The Agent (on behalf and at the expense of the Issuer) shall within 15 days of receipt of such notice (unless the appointment of the Agent or the other relevant Paying Agent, as the case may be, is to terminate pursuant to Clause 21 on or prior to the date of such change) give or cause to be given not more than 45 days' nor less than 30 days' notice thereof to the Noteholders in accordance with the Conditions.

25. NOTICES

Any notice or communication given hereunder shall be sufficiently given or served:

- (a) if delivered in person to the relevant address specified on the signature pages hereof and, if so delivered, shall be deemed to have been delivered at time of receipt; or
- (b) if sent by facsimile or telex to the relevant number specified on the signature pages hereof and, if so sent, shall be deemed to have been delivered immediately after transmission provided such transmission is confirmed by the answerback of the recipient (in the case of telex) or when an acknowledgement of receipt is received (in the case of facsimile).

Where a communication is received after business hours it shall be deemed to be received and become effective on the next business day. Every communication shall be irrevocable save in respect of any manifest error therein.

26. TAXES AND STAMP DUTIES

The Issuer agrees to pay any and all stamp and other documentary taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Agreement.

27. CURRENCY INDEMNITY

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or analogous process of the Issuer or for any other reason, any payment under or in connection with this Agreement is made or falls to be satisfied in a currency (the *other currency*) other than that in which the relevant payment is expressed to be due (the *required currency*) under this Agreement, then, to the extent that the payment (when converted into the required currency at the rate of exchange on the date of payment or, if it is not practicable for the Agent or the relevant other Paying Agent to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the Agent or the relevant other Paying Agent falls short of the amount due under the terms of this Agreement, the Issuer undertakes that it shall, as a separate and independent obligation, indemnify and hold harmless the Agent and each other Paying Agent against the amount of such shortfall. For the purpose of this Clause, the *rate of exchange* means the rate at which the Agent or the relevant other Paying Agent is able on the relevant date to purchase the required currency with the other currency and shall take into account any premium and other costs of exchange.

28. AMENDMENTS

This Agreement may be amended in writing by agreement between the Issuer, the Agent and the other Paying Agents, but without the consent of any Noteholder, Receiptholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein or in any manner which the parties may mutually deem necessary or desirable and which shall not be materially prejudicial to the interests of the Noteholders. The Issuer and the Agent may also agree any modification pursuant to Condition 15.

29. DESCRIPTIVE HEADINGS

The descriptive headings in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

30. GOVERNING LAW AND SUBMISSION TO JURISDICTION

30.1 This Agreement is governed by, and shall be construed in accordance with, the laws of England.

30.2 The Issuer hereby irrevocably agrees, for the exclusive benefit of the Paying Agents, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together referred to as ***proceedings***) arising out of or in connection with this Agreement may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer hereby appoints PepsiCo International Limited at its registered office at 63 Kew Road, Richmond, Surrey, England TW9 2QL (Attention: Division Counsel) as its agent for service of process, and undertakes that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person, as the Agent may approve, as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

31. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

32. COUNTERPARTS

This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

APPENDIX

FORM OF CALCULATION AGENCY AGREEMENT

Dated []

PEPSICO, INC.

U.S. \$2,500,000,000

EURO MEDIUM TERM NOTE PROGRAMME

CALCULATION AGENCY AGREEMENT



FRESHFIELDS BRUCKHAUS DERINGER

THIS AGREEMENT is made on []

BETWEEN

(1) PepsiCo, Inc. of 700 Anderson Hill Road, Purchase, New York 10577 (the **Issuer**); and

(2) [] of [] (the **Calculation Agent**, which expression shall include its successor or successors for the time being as calculation agent hereunder).

WHEREAS

(A) The Issuer has entered into an amended and restated programme agreement with the Dealers named therein dated ·2006, under which the Issuer may issue Euro Medium Term Notes (**Notes**) with an aggregate nominal amount of up to U.S.\$2,500,000,000 (or its equivalent in other currencies).

(B) The Notes will be issued subject to and with the benefit of the amended and restated Agency Agreement dated · 2006 (the **Agency Agreement**) and entered into between the Issuer, JPMorgan Chase Bank, N.A. as Agent (the **Agent** which expression shall include its successor or successors for the time being under the Agency Agreement) and the other parties, named therein.

NOW IT IS HEREBY AGREED that

INTERPRETATION

1. Save as otherwise stated herein, all words and phrases defined in the Agency Agreement shall have the same meaning as when used in this Agreement.

APPOINTMENT OF THE CALCULATION AGENT

2. The Issuer hereby appoints [] as Calculation Agent in respect of each Series of Notes described in the Schedule hereto (the **Relevant Notes**) for the purposes set out in Clause 3 below, all upon the provisions hereinafter set out. The agreement of the parties hereto that this Agreement is to apply to each Series of Relevant Notes shall be evidenced by the manuscript annotation and signature in counterpart of the Schedule hereto.

DUTIES OF CALCULATION AGENT

3. The Calculation Agent shall in relation to each Series of Relevant Notes perform all the functions and duties imposed on the Calculation Agent by the terms and conditions of the Relevant Notes (the **Conditions**) including endorsing the Schedule hereto appropriately in relation to each Series of Relevant Notes.

EXPENSES

4. Save as provided in Clause 5 below, the Calculation Agent shall bear all expenses incurred by it in connection with its said services.

INDEMNITY

5.1 The Issuer shall indemnify the Calculation Agent and its directors and officers against any losses, liabilities, costs, claims, actions, demands or expenses (including, but not limited to, all reasonable costs, legal fees, charges and expenses paid or incurred in disputing or defending any of the foregoing) which any of them may incur or which may be made against any of them as a result of or in connection with its appointment or the exercise of its powers and duties under this Agreement except such as may result from its own default, negligence or bad faith or that of its officers, directors or employees or the breach by it of the terms of this Agreement.

5.2 The Calculation Agent shall indemnify the Issuer and its directors and officers against any losses, liabilities, costs, claims, actions, demands or expenses (including, but not limited to, all reasonable costs, legal fees, charges and expenses paid or incurred in disputing or defending any of the foregoing) which the Issuer or any such director or officer may incur or which may be made against the Issuer or any such director or officer as a result of the breach by the Calculation Agent of the terms of this Agreement or its default, negligence or bad faith or that of its officers, directors or employees.

CONDITIONS OF APPOINTMENT

6.1 In acting hereunder and in connection with the Relevant Notes the Calculation Agent shall act as agent of the Issuer and shall not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Relevant Notes or the receipts or coupons (if any) appertaining thereto (the **Receipts** and the **Coupons**, respectively).

6.2 In relation to each issue of Relevant Notes the Calculation Agent shall be obliged to perform such duties and only such duties as are herein and in the Conditions specifically set forth and no implied duties or obligations shall be read into this Agreement or the Conditions against the Calculation Agent, other than the duty to act honestly and in good faith and to exercise the diligence of a reasonably prudent expert in comparable circumstances.

6.3 The Calculation Agent may consult with legal and other professional advisers and the opinion of such advisers shall be full and complete protection in respect of any action taken, omitted or suffered hereunder in good faith and in accordance with the opinion of such advisers.

6.4 The Calculation Agent shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer.

6.5 The Calculation Agent and any of its officers, directors and employees may become the owner of, or acquire any interest in, any Notes, Receipts or Coupons (if any) with the same rights that it or he would have if the Calculation Agent were not

appointed hereunder, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depository, trustee or agent for, any committee or body of holders of Notes or Coupons (if any) or in connection with any other obligations of the Issuer as freely as if the Calculation Agent were not appointed hereunder.

TERMINATION OF APPOINTMENT

7.1 The Issuer may terminate the appointment of the Calculation Agent at any time by giving to the Calculation Agent at least 45 days' prior written notice to that effect, provided that, so long as any of the Relevant Notes is outstanding:

- (a) such notice shall not expire less than 45 days before any date upon which any payment is due in respect of any Relevant Notes; and
- (b) notice shall be given in accordance with the Conditions, to the holders of the Relevant Notes at least 30 days prior to any removal of the Calculation Agent

7.2 Notwithstanding the provisions of Clause 7.1 above, if at any time:

- (a) the Calculation Agent becomes incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an agreement for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or any substantial part of its property, or it admits in writing its inability to pay or meet its debts as they may mature or suspends payment thereof, or if any order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if a receiver of it or of all or a substantial part of its property is appointed or if any officer takes charge or control of the Calculation Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; or
- (b) the Calculation Agent fails duly to perform any function or duty imposed upon it by the Conditions and this Agreement, the Issuer may forthwith without notice terminate the appointment of the Calculation Agent, in which event notice thereof shall be given to the holders of the Relevant Notes in accordance with the Conditions as soon as practicable thereafter.

7.3 The termination of the appointment pursuant to Clause 7.1 or 7.2 above of the Calculation Agent hereunder shall not entitle the Calculation Agent to any amount by way of compensation but shall be without prejudice to any amount then accrued due.

7.4 The Calculation Agent may resign its appointment hereunder at any time by giving to the Issuer at least 90 days' prior written notice to that effect. Following receipt of a notice of resignation from the Calculation Agent, the Issuer shall promptly give notice thereof to the holders of the Relevant Notes in accordance with the Conditions.

7.5 Notwithstanding the provisions of Clauses 7.1, 7.2 and 7.4 above, so long as any of the Relevant Notes is outstanding, the termination of the appointment of the

Calculation Agent (whether by the Issuer or by the resignation of the Calculation Agent) shall not be effective unless upon the expiry of the relevant notice a successor Calculation Agent has, been appointed. The Issuer agrees with the Calculation Agent that if, by the day falling 10 days before the expiry of any notice under Clause 7.1 or 7.4, the Issuer has not appointed a replacement Calculation Agent, the Calculation Agent shall be entitled, on behalf of the Issuer, to appoint as a successor Calculation Agent in its place a reputable financial institution of good standing which the Issuer shall approve.

7.6 Upon its appointment becoming effective, a successor Calculation Agent shall without further act, deed or conveyance, become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as the Calculation Agent hereunder.

7.7 If the appointment of the Calculation Agent hereunder is terminated (whether by the Issuer or by the resignation of the Calculation Agent), the Calculation Agent shall on the date on which such termination takes effect deliver to the successor Calculation Agent all records concerning the Relevant Notes maintained by it (except such documents and records as it is obliged by law or regulation to retain or not to release), but shall have no other duties or responsibilities hereunder.

7.8 Any corporation into which the Calculation Agent may be merged or converted, or any corporation with which the Calculation Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Calculation Agent shall be a party, or any corporation to which the Calculation Agent shall sell or otherwise transfer all or substantially all of its assets shall, on the date when such merger, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, become the successor Calculation Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, unless otherwise required by the Issuer, and after the said effective date all references in this Agreement to the Calculation Agent shall be deemed to be references to such corporation. Written notice of any such merger, conversion, consolidation or transfer shall forthwith be given to the Issuer and the Agent.

7.9 Upon giving notice of the intended termination of the appointment of the Calculation Agent, the Issuer shall use all reasonable endeavours to appoint a further bank or investment bank as successor Calculation Agent.

NOTICES

8.1 Any notice or communication given hereunder shall be sufficiently given or served:

- (a) if delivered in person to the relevant address specified on the signature pages hereof and, if so delivered, shall be deemed to have been delivered at time of receipt; or
- (b) if sent by facsimile or telex to the relevant number specified on the signature pages hereof and, if so sent, shall be deemed to have been delivered

immediately after transmission provided such transmission is confirmed by the answerback of the recipient (in the case of telex) or when an acknowledgement of receipt is received (in the case of facsimile).

Where a communication is received after business hours it shall be deemed to be received and become effective on the next business day. Every communication shall be irrevocable save in respect of any manifest error therein.

DESCRIPTIVE HEADINGS AND COUNTERPARTS

9.1 The descriptive headings in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

9.2 This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same agreement and any party may enter into this Agreement by executing a counterpart.

GOVERNING LAW AND JURISDICTION

10.1 This Agreement is governed by, and shall be construed in accordance with, the laws of England.

10.2 The Issuer hereby irrevocably agrees, for the exclusive benefit of the Calculation Agent, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together referred to as ***Proceedings***) arising out of or in connection with this Agreement may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agree that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer hereby appoints PepsiCo International Limited at its registered office at 63 Kew Road, Richmond, Surrey, England TW9 2QL (Attention: Division Counsel) as its agent for service of process, and undertakes that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person, as the Calculation Agent may approve, as its agent for the service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve process in any manner permitted by law.

CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

11. A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

IN WITNESS whereof this Agreement has been entered into the day and year first above written.

Schedule 1 to the Calculation Agency Agreement

Series number	Issue Date	Maturity Date	Title and Nominal Amount	Annotation by Calculation Agent/Issuer
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PepsiCo, Inc.
700 Anderson Hill Road
Purchase
New York 10577
U.S.A

Telex No: 62848 PEPSICO
Telefax No: 914 253 2017
Attention: Treasurer

By:

[Name and address of Calculation Agent]

Telex No: []
Telefax No: []
Attention: []

By:

SCHEDULE 1

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes (sometimes referred to herein as “Terms and Conditions”) to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or competent authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but if not so permitted and agreed, such definitive Note will have endorsed upon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to “Form of the Notes” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a series of Notes issued by PepsiCo, Inc. (the “Issuer”) pursuant to the Agency Agreement (as defined below). References herein to the “Notes” shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note. The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (the “Agency Agreement” which expression shall include such agreement as it may be amended or modified from time to time) dated • 2006, and made among the Issuer, JPMorgan Chase Bank, London Branch as issuing and principal paying agent and agent bank (the “Agent”, which expression shall include any successor agent specified in the applicable Final Terms) and the other paying agents named therein (together with the Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“Coupons”) and, if indicated in the applicable Final Terms, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached hereto or endorsed hereon which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein

to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

Any reference herein to “Noteholders” shall mean the holders of the Notes, and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the “Deed of Covenant”) dated 21 July, 2006 and made by the Issuer. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the form of the Final Terms and the Final Terms applicable to this Note and the Deed of Covenant are available for viewing during normal business hours at, and copies may be obtained from, the specified office of each of the Agent and the other Paying Agents save that (i) Final Terms relating to an unlisted Note of any Series and/or relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Prospectus is required to be published under the Prospectus Directive, will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in

circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). In the case of Notes with a maturity (at issue) of 183 days or less, the minimum Specified Denomination shall be U.S.\$500,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

So long as the Notes are represented by a temporary global Note or a permanent global Note, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and, provided the relevant clearing system(s) so permit, integral multiples of the Tradeable Amount in excess thereof provided in the relevant Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Dual Currency Note or a Partly Paid Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant global Note (and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a

global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to Notes in NGN form, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Agent.

2. Status of the Notes

The Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank pari passu without any preference among themselves and equally with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. Negative Pledge

For so long as Notes of any Series shall be outstanding neither the Issuer nor any Restricted Subsidiary (as defined below) will incur, suffer to exist or guarantee any indebtedness for borrowed money ("Debt"), secured by a mortgage, pledge or lien (a "Mortgage") on any Principal Property (as defined below) or on any shares of stock of any Restricted Subsidiary unless the Issuer or such Restricted Subsidiary secures or causes such Restricted Subsidiary to secure the Notes of such Series (and any other Debt of the Issuer or such Restricted Subsidiary, at the option of the Issuer or such Restricted Subsidiary, not subordinate to the Notes) equally and rateably with or prior to such secured Debt for as long as such Debt remains so secured, unless after giving effect thereto the aggregate amount of all such secured Debt does not exceed 15% of Consolidated Net Tangible Assets (as defined below). This restriction will not, however, apply to Debt secured by:

- (i) Mortgages existing prior to the Issue Date of such Notes; or
- (ii) Mortgages on property of or shares of stock of (or other interests) or Debt of, any corporation existing at the time such corporation becomes a Restricted Subsidiary; or
- (iii) Mortgages in favour of the Issuer or a Restricted Subsidiary; or
- (iv) Mortgages in favour of, or required by, any governmental bodies; or
- (v) Mortgages on property or shares of stock (or other interests) or Debt of any corporation existing at the time of the acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price thereof or construction or improvement thereon or to secure any Debt incurred

prior to, at the time of, or within 365 days after the later of the acquisition, the completion of construction or improvement, or the commencement of full operation of such property or within 365 days after the acquisition of such shares or Debt for the purpose of financing all or any part of the purchase price thereof of construction or improvement thereon; and

- (vi) any extension, renewal, or replacement of any Mortgage referred to in any of the preceding subparagraphs (i) to (v) inclusive.

“Consolidated Net Tangible Assets” means the total amount of assets (less applicable depreciation, amortisation, and other valuation reserves) of the Company and its Restricted Subsidiaries, after deducting therefrom (i) all current liabilities of the Company and its Restricted Subsidiaries (excluding any such liabilities that are intercompany items) and (ii) all goodwill, trade names, trademarks, patents, unamortised debt discount and expense and other like intangibles, all as set forth on the latest consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with US GAAP.

“Principal Property” means any single manufacturing or processing plant, office building, or warehouse owned or leased by the Issuer or a Restricted Subsidiary other than a plant, warehouse, office building, or portion thereof which, in the opinion of the Issuer’s Board of Directors, is not of material importance to the business conducted by the Issuer and its Restricted Subsidiaries as an entirety.

“Restricted Subsidiary” means at any time any subsidiary of the Issuer except a subsidiary which is at the time an Unrestricted Subsidiary.

“Unrestricted Subsidiary” means any other subsidiary of the Issuer (not at the time designated a Restricted Subsidiary) (i) the major part of whose business consists of finance, banking, credit, leasing, insurance, financial services, or other similar operations, or any combination thereof, (ii) substantially all the assets of which consist of the capital stock of one or more such subsidiaries, or (iii) designated as such by the Issuer’s Board of Directors; provided that such designation will not constitute a violation of the terms of the Notes. Any subsidiary designated as a Restricted Subsidiary may be designated as an Unrestricted Subsidiary unless such designation will constitute a violation of these Terms and Conditions.

The transfer of a Principal Property to an Unrestricted Subsidiary and the change in designation of a subsidiary owning a Principal Property from a Restricted Subsidiary to an Unrestricted Subsidiary is not restricted by the terms of the Notes, save that such a change in designation shall not be permitted if such change in designation would result in a violation of the foregoing negative pledge provision.

4. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest so specified in the applicable Final Terms payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date so specified if that does not fall on the Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions:

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period

begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

“Determination Period” means, the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date following after, such date); and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and means, with respect to euro, one cent.

(b) Interest on Floating Rate Notes and Indexed Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Interest Payment Date(s) in each year (the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date each being an “Interest Period”); or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment

If a business day convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Interest Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open. In

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, each as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the Euro-zone inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 5(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect

of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined for each Interest Period the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of

Interest, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Indexed Interest Notes, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period Subject to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms. In the case of Indexed Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Indexed Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest U.S. cent (or its approximate equivalent in the relevant Specified Currency), half a U.S. cent (or its approximate equivalent in the relevant Specified Currency) being rounded upwards.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day

of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 6(c)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14.

(vi) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of negligence, wilful misconduct, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 13 or individually.

5. *Payments*

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank (which, in the case of a payment in Japanese Yen to a nonresident of Japan, shall be an authorised foreign exchange bank) in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to an euro account (or any other amount to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

Subject to the final paragraph of Condition 5(b) below, no payment on any Note or Coupon will be made at any office of a Paying Agent or any other agency maintained by the Issuer in the United States (as defined in Condition 7) nor will any payment be made by any transfer to an account in, or by mail to an address in, the United States except as may be permitted by U.S. tax law

in effect at the time of such payment without detriment to the Issuer in the opinion of the Issuer.

(b) *Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of Receipts and definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Indexed Redemption Amount Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of mature Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(c) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation; and
- (ii) a Business Day (as defined in Condition 4(b)(i)).

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

- (i) If as a result of:

- (I) any actual or proposed change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or any change in the application, official interpretation or enforcement of such laws, regulations or rulings;
- (II) any action taken by a taxing authority which action is generally applied or is taken with respect of the Issuer;
- (III) a decision rendered by a court of competent jurisdiction in the United States or any political subdivision thereof, whether or not such decision was rendered with respect to the Issuer; or
- (IV) a technical advice memorandum or letter ruling, or other administrative pronouncement issued by the United States Internal Revenue Service on substantially the same facts as those pertaining to the Issuer,

which change, amendment, action, decision, memorandum, letter ruling or pronouncement becomes effective or issued on or after the Issue Date of the first Tranche of the Notes (such laws, regulations, rulings, actions, decisions, memoranda or letter rulings being hereinafter collectively referred to as “United States Law”), there is a substantial likelihood that the Issuer on the occasion of the next payment due in respect of the Notes (in accordance with Condition 5) will be required to pay any additional amounts (as defined in Condition 7, the “Additional Amounts”), and such obligation cannot be avoided by the Issuer taking, in the view of the Issuer, reasonable measures available to it that require no material cost to the Issuer, the Issuer may at its option redeem such Notes in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes or Indexed Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes or Indexed Interest Notes). Notice of such redemption of the Notes will be given to the holders of the Notes not more than 60 nor less than 30 days prior to the date fixed for redemption by publication in accordance with Condition 13.

- (ii) Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the Option of the Issuer*

If the Issuer is specified in the applicable Final Terms as having an option to redeem, the Issuer may, having given:

- (i) not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 13; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this subparagraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 10 days prior to the Selection Date.

(d) *Redemption at the Option of the Noteholders*

If the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) or such other period of notice as is specified in the applicable Final Terms, the Issuer will upon the expiry of such notice redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office outside the United States of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the product of:
 - (A) the Reference Price; and
 - (B) the sum of the figure 1 and the Accrual Yield, raised to the power of x, where "x" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 360 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year

consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e) (iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has

7. Taxation

The Issuer will, subject to the exceptions and limitations set forth below, pay such Additional Amounts as are necessary in order that the net payment by the Issuer or any Paying Agent of the principal of and interest (made in accordance with Condition 5) (including any discount) on a Note or Coupon to a holder who is a United States Alien (as such term is defined below), after deduction or withholding for or on account of any present or future tax, assessment or governmental charge of the United States (as such term is defined below), or a political subdivision or authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount provided for in such Note or such Coupon to be then due and payable; provided, however, that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any tax, assessment or governmental charge that would not have been so imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of a power):
 - (A) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein; or
 - (B) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof; or
 - (C) being or having been a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign personal holding company with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organisation; or
 - (D) being or having been an actual or a constructive “10-per-cent. shareholder” of the Issuer as defined in Section 871(h)(3) of the Code, a bank receiving interest described under Section 881(c)(3)(A) of the Code or a direct or indirect subsidiary of the Issuer; or
- (ii) any holder who is a fiduciary or partnership or other than the sole beneficial owner of the Note or Coupon, but only to the extent that a beneficiary or settlor with respect to such fiduciary or member of such

partnership or a beneficial owner of the Note or Coupon would not have been entitled to the payment of an additional amount had such beneficiary, settlor, member or beneficial owner been the holder of such Note or Coupon; or

- (iii) any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification or information reporting requirements under United States income tax laws, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note or Coupon, if such compliance is required by United States income tax laws, without regard to any tax treaty, as a precondition to relief or exemption from such tax, assessment or governmental charge; or
- (iv) any tax, assessment or governmental charge that would not have been so imposed or withheld but for the presentation by the holder of such Note or Coupon for payment on a date more than 30 days after the Relevant Date; or
- (v) any estate, inheritance, gift, sales, transfer, excise, wealth or personal property tax or any similar tax, assessment or governmental charge; or
- (vi) any tax, assessment or governmental charge that is (a) payable otherwise than by withholding by the Issuer or a Paying Agent from the payment of the principal of or interest on such Note or Coupon or (b) required to be withheld by any Paying Agent from any such payment if such payment can be made without such withholding by any other Paying Agent; or
- (vii) any withholding or deduction that is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (viii) any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (ix) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii).

As used with this Condition, “United States” means the United States of America (including the States and the District of Columbia), the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction and “United States Alien” means any person that is for United States federal income tax purposes (A) a foreign corporation, (B) a foreign partnership one or more of the members of which is,

for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust, (C) a non-resident alien individual or (D) a non-resident alien fiduciary of a foreign estate or trust.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. Events of Default

If any one or more of the following events (each an “Event of Default”) shall have occurred and be continuing:

- (i) default in the payment of any interest on any Note when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (ii) default in the payment of the principal amount of (or premium, if any, on) any Note as and when the same shall become due by the terms of the Note and continuance of such default for a period of 7 days; or
- (iii) default in the performance or breach of any covenant, warranty or other obligation of the Issuer in respect of the Notes (other than a covenant or warranty in respect of the Notes a default in the performance of which or the breach of which is elsewhere in this Condition specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Issuer by the Noteholder a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder; or
- (iv) the entry of an order for relief against the Issuer under the Federal Bankruptcy Code of the United States (11 U.S.C. § 1 et seq.) (the “U.S. Bankruptcy Code”) by a court of competent jurisdiction or a

decree or order by a court of competent jurisdiction adjudging the Issuer bankrupt or insolvent under any other applicable United States law, or the entry of a decree or order approving as properly filed a petition seeking reorganisation, arrangement, adjustment or composition of or in respect of the Issuer under the U.S. Bankruptcy Code or any other applicable United States law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or

- (v) the consent by the Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganisation or relief under the U.S. Bankruptcy Code or any other applicable United States law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer or of any substantial part of its property, or the making by it of a general assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer in furtherance of any such action,

then any Noteholder may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare the Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6(e)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

A default under any indebtedness of the Issuer other than the Notes will not constitute an Event of Default, and a default under one Series of Notes will not constitute a default under any other Series of Notes. No declaration of acceleration by the Noteholders with respect to any Series of Notes shall constitute a declaration of acceleration with respect to any other Series of Notes.

10. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Replacement Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or competent authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (iii) there will at all times be an Agent; and
- (iv) the Issuer will ensure that it maintains a Paying Agent in a European Union Member State (if any) that is not obliged to deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

12. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

13. Notices

All notices regarding the Notes shall be published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer

shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in both such newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange, the stock exchange agrees), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders,

whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Redenomination of the Notes into Euro

(a) Contractual Right of Redenomination

The Issuer, may, without the consent of the Noteholders, by giving a redenomination notice pursuant to subparagraph (c) of this Condition 16, with effect from a date to be determined by the Issuer (the “Redenomination Date”, which shall be an Interest Payment Date, unless specified otherwise in the Final Terms), redenominate into euro all, but not some only, of the Notes, provided that the Specified Currency is the official currency of a participating member state of European Economic and Monetary Union on the Redenomination Date. Simultaneously, the Issuer may alter the Specified Denomination(s) of the Notes and adjust the provisions regarding the Day Count Fraction, the Reference Rate (where applicable) and the Business Day definition to the existing or anticipated market practice.

(b) Amendment of Conditions

The redenomination and any additional measures which may be taken in this connection will, to the extent not governed by mandatory laws or regulations,

occur by way of an amendment to the Conditions as the Issuer may determine in its reasonable discretion, taking into account the interests of the Noteholders. Any conversion of the principal amount of each Note into euro shall be made in accordance with existing or anticipated market practice and, if consistent therewith, may be made by (i) converting the principal amount of each Note into euro by using the fixed conversion rate between the Specified Currency and the euro, and rounding the resultant figure to the nearest 0.01 euro (with 0.005 euro being rounded upwards) and (ii) altering the Specified Denomination(s) of the Notes to 0.01 euro if the regulations and procedures of the relevant Clearing System(s) so permit, otherwise one euro. Upon the redenomination, all references in the Notes to the Specified Currency will be deemed references to “euro”. This does not apply if the Notes are Dual Currency Notes.

(c) Redenomination Notice

The redenomination notice will be given in accordance with Condition 12 at least 30 calendar days prior to the Redenomination Date. It will:

- (i) specify the Redenomination Date; and
- (ii) describe any amendments to the Conditions and specify the wording of the amended or additional provisions.

(d) Statutory Right of Redenomination

To the extent that applicable provisions of law permit the Issuer to redenominate the Notes into the euro and to take additional measures, the Issuer may exercise the rights provided by law instead or in addition to the rights set out above.

(e) Consolidation

The Issuer reserves the right, in connection with, and as part of, the redenomination notice in respect of any Series of Notes without the consent of the Noteholders or Couponholders consolidate such Series with other notes of the Issuer, which are, or as of the Redenomination Date, will be, denominated in euro and have otherwise identical terms, so that the same form a single series with the Series comprising the Notes.

17. Governing Law and Submission to Jurisdiction

- (a) The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer agrees, for the exclusive benefit of the Paying Agents, the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together

referred to as “Proceedings”) arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints PepsiCo International Limited at its registered office at 63 Kew Road, Richmond, Surrey TW9 2QL, England: Attention: Division Counsel as its agent for service of process, and undertakes that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law. The Issuer hereby irrevocably and unconditionally waives with respect to the Agency Agreement, the Notes, the Receipts and/or the Coupons any right to claim immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

SCHEDULE 2

FORMS OF GLOBAL AND DEFINITIVE NOTES, RECEIPTS, COUPONS AND TALONS

PART I

FORM OF TEMPORARY GLOBAL NOTE

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

TEMPORARY GLOBAL NOTE

This Global Note is a Temporary Global Note in respect of a duly authorised issue of Euro Medium Term Notes (the **Notes**) of PepsiCo, Inc. (the **Issuer**) described, and having the provisions specified, in the Final Terms attached hereto (the **Final Terms**). References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in Schedule 1 to the Agency Agreement (as defined below) as modified and supplemented by the information set out in the Final Terms, but in the event of any conflict between the provisions of that Schedule and the information set out in the Final Terms, the Final Terms will prevail.

Words and expressions defined or set out in the Conditions and/or the Final Terms shall bear the same meaning when used herein.

This Global Note is issued subject to, and with the benefit of, the Conditions and an Agency Agreement (the **Agency Agreement**, which expression shall be construed as a reference to that agreement as the same may be amended, supplemented or restated from time to time) dated 21 July 2006 and made between the Issuer, JPMorgan Chase Bank, N.A. (the **Agent**) and the Paying Agents named therein.

If the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the **relevant Clearing Systems**). The records of the relevant Clearing Systems (which expression

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

For value received the Issuer, subject to and in accordance with the Conditions, promises to pay to the bearer hereof on each Instalment Date (if the Notes are repayable in instalments) and on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions together with any other sums payable under the Conditions, upon presentation and, at maturity, surrender of this Global Note to or to the order of the Agent or any of the other Paying Agents located outside the United States (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes, but in each case subject to the requirements as to certification provided herein. On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

- (i) if the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, details of the payment of interest shall be entered in the records of the relevant Clearing System, while details of redemption or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid, or
- (ii) if the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption, payment of an instalment or purchase and cancellation, as aforesaid, the nominal amount of the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled or the amount of such instalment. The nominal amount of this Global Note and of the Notes represented hereby following any such redemption, payment of an instalment or purchase and cancellation as aforesaid or any exchange as referred to below shall be the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II, III or IV of Schedule One or in Schedule Two hereto. Prior to the Exchange Date (as defined below), all payments (if any) on this Global Note

will only be made to the bearer hereof to the extent that there is presented to the Agent by Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) or Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by the Issuer. The bearer of this Global Note will not be entitled to receive any payment of interest hereon due on or after the Exchange Date.

On or after the date (the **Exchange Date**) which is 40 days after the later of (i) the Issue Date and (ii) the completion of the distribution (as determined by the Agent) of the Notes represented by this Global Note, this Global Note may be exchanged in whole or in part (free of charge) for, as specified in the Final Terms, either (i) security printed Definitive Notes and (if applicable) Coupons, Receipts and Talons in the form set out in Parts III, IV, V and VI respectively of Schedule 2 to the Agency Agreement (on the basis that all the appropriate details have been included on the face of such Definitive Notes and (if applicable) Coupons, Receipts and Talons and the Final Terms (or the relevant provisions of the Final Terms) have been either endorsed on or attached to such Definitive Notes)) or, (ii) if the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, interests recorded in the records of the relevant Clearing Systems in a Permanent Global Note, or, if the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note, a Permanent Global Note, which is in or substantially in the form set out in Part II of Schedule 2 to the Agency Agreement (together with the Final Terms attached thereto) upon notice being given by Euroclear and/or Clearstream acting on the instructions of any holder of an interest in this Global Note and subject, in the case of Definitive Notes, to such notice period as is specified in the Final Terms.

If Definitive Notes and (if applicable) Coupons, Receipts and/or Talons have already been issued in exchange for all the Notes represented for the time being by the Permanent Global Note, then this Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Coupons, Receipts and/or Talons pursuant to the terms hereof.

This Global Note may be exchanged by the bearer hereof on any day (other than a Saturday or Sunday) on which banks are open for business in London. The Issuer shall procure that the Definitive Notes or (as the case may be) the Permanent Global Note shall be issued and delivered and (in the case of the Permanent Global Note where the applicable Final Terms indicate that this Global Note is intended to be a New Global Note recorded in the records of the relevant Clearing System) in exchange for only that portion of this Global Note in respect of which there shall have been presented to the Agent by Clearstream, Luxembourg or Euroclear a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by the Issuer.

On an exchange of the whole of this Global Note, this Global Note shall be surrendered to or to the order of the Agent. On an exchange of part only of this Global Note, the Issuer shall procure that:

- (i) if the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, details of such exchange shall be entered pro rata in the records of the relevant Clearing Systems; or
- (ii) if the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount so exchanged and upon any such exchange of this Global Note for a Permanent Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two to the Permanent Global Note and the relevant space in Schedule Two thereto recording such exchange shall be signed by or on behalf of the Issuer.

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respect (except as otherwise provided herein) be entitled to the same benefits as if he were the bearer of Definitive Notes and the relative Coupons, Receipts and/or Talons (if any) in the form(s) set out in Part III, Part IV, Part V and Part VI, respectively, of Schedule 2 to the Agency Agreement.

In the event that this Global Note (or any part hereof) has become due and repayable in accordance with the Conditions or that the Maturity Date in respect thereof has occurred and payment in full of the amount due has not been made to the bearer in accordance with the foregoing then, unless within the period of 15 days commencing on the relevant due date payment in full of the amount due in respect of this Global Note is received by the bearer in accordance with the foregoing, this Global Note will become void at 8.00 p.m. (London time) on such fifteenth day and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under the Deed of Covenant executed by the Issuer on 21 July 2006 in respect of the Euro Medium Term Notes issued under the Programme Agreement pursuant to which this Global Note is issued).

This Global Note is governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by the Agent and, if the applicable Final Terms indicate that this Global Note is intended to be held in a manner which would allow Eurosystem eligibility, effectuated by the entity appointed as common safe-keeper by the Relevant Clearing Systems.

IN WITNESS whereof the Issuer has caused this Global Note to be duly executed on its behalf.

PEPSICO, INC.

By:

Authorised Signatory

Authenticated without recourse,
warranty or liability by
JPMORGAN CHASE BANK, N.A.

By:

Authorised Signatory

Effectuated without recourse,
warranty or liability by

.....
as common safekeeper

By:

Authorised Signatory

Part I

Interests Payments

Date made	Total amount of interest payable	Amount of interest paid	Confirmation of payment on behalf of the Issuer

*

* Schedule One should only be completed where the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note.

Part II

Payment of Instalment Amounts

Date made	Total amount of Instalment Amounts payable	Amount of Instalment Amounts Paid	Remaining nominal amount of this Global Note following such payment*	Confirmation of payment on behalf of the Issuer
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

Part III

Redemptions

Date made	Total amount of principal payable	Amount of principal paid	Remaining nominal amount of this Global Note following such redemption*	Confirmation of payment on behalf of the Issuer

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

Part IV

Purchases and Cancellations

Date made	Part of nominal amount of this Global Note purchased and cancelled	Remaining nominal amount of this Global Note following such purchase and cancellation*	Confirmation of purchase and cancellation on behalf of the Issuer

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

Schedule Two to the Temporary Global Note*

Exchanges for Definitive Notes or Permanent Global Note

Date made	Nominal amount of this Global Note exchanged for Definitive Notes or a Permanent Global Note	Remaining nominal amount of this Global Note following such exchange**	Notation made on behalf of the Issuer

* Schedule Two should only be completed where the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note.

** See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

PART II

FORM OF PERMANENT GLOBAL NOTE

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

PERMANENT GLOBAL NOTE

This Global Note is a Permanent Global Note in respect of a duly authorised Series of Euro Medium Term Notes (the **Notes**) of PepsiCo, Inc. (the **Issuer**) described, and having the provisions specified, in the Final Terms or Final Terms attached hereto (together the **Final Terms**). Notes will only be issued initially in respect of any Tranche of Notes in permanent global form where no certification of non-United States beneficial ownership is required by U.S. Treasury Regulations. References herein to the **Conditions** shall be to the Terms and Conditions of the Notes as set out in Schedule 1 to the Agency Agreement (as defined below) as modified and supplemented by the information set out in the Final Terms, but in the event of any conflict between the provisions of that Schedule and the information set out in the Final Terms, the Final Terms will prevail.

Words and expressions defined or set out in the Conditions and/or the Final Terms shall bear the same meaning when used herein.

This Global Note is issued subject to, and with the benefit of, the Conditions and an Agency Agreement (the **Agency Agreement**, which expression shall be construed as a reference to that agreement as the same may be amended, supplemented or restated from time to time) dated 21 July 2006 and made between the Issuer, JPMorgan Chase Bank, N.A. (the **Agent**) and the Paying Agents named therein.

If the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the **relevant Clearing Systems**). The records of the relevant Clearing Systems (which expression in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of such customer's interest in the Notes) shall be

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

For value received the issuer, subject to and in accordance with the Conditions, promises to pay to the bearer hereof on each Instalment Date (if the Notes are repayable in instalments) and on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions together with any other sums payable under the Conditions, upon presentation and, at maturity, surrender of this Global Note to or to the order of the agent at or any of the other Paying Agents located outside the United States (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes. On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

(i) if the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, details of the payment of interest and of any payment of an instalment shall be entered in the records of the relevant Clearing System, details of redemption or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid, or

(ii) if the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption, payment of an instalment or purchase and cancellation as aforesaid, the nominal amount of the notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled or the amount of such instalment. The nominal amount of this Global Note and of the Notes represented hereby following any such redemption, payment of an instalment or purchase and cancellation as aforesaid, or any exchange as referred to below shall be the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II, III or IV of Schedule One or in Schedule Two hereto.

[On any exchange of the Temporary Global Note issued in respect of the Notes for this Global Note or any part hereof, details of such exchange shall be entered by or on behalf of the Issuer either, if the applicable Final Terms indicate that this Global Note is intended to be a New Global Note, as interests recorded in the records of the

relevant Clearing Systems in a Permanent Global Note, or if the applicable Final Terms indicate that this Global Note is not ended to be a New Global Note, in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of the Temporary Global Note shall be reduced and the Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged.]²

This Global Note may be exchanged (free of charge) for Definitive Notes and (if applicable) Coupons, Receipts and/or Talons in the form set out in Part III, Part IV, Part V and Part VI respectively, of Schedule 2 to the Agency Agreement (on the basis that all the appropriate details have been included on the face of such Definitive Notes and (if applicable) Coupons, Receipts and Talons and the Final Terms (or the relevant provisions of the Final Terms) have been incorporated on such Definitive Notes) provided that the first notice referred to below given to the Agent by Euroclear Bank S.A./N.V., as operator of the Euroclear System (***Euroclear***) and/or Clearstream Banking, société anonyme (***Clearstream, Luxembourg***) shall give rise to the issue of Definitive Notes for the total amount of Notes represented by this Global Note. Subject to at least 60 days' written notice [expiring at least 30 days after the Exchange Date (as defined in the Temporary Global Note referred to above)]³ being given to the Agent by Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of any interest in this Global Note, such exchange will be made upon presentation of this Global Note by the bearer hereof on any day (other than a Saturday or Sunday) on which banks are open for business in London at the office of the Agent specified above. The aggregate nominal amount of Definitive Notes issued upon an exchange of the whole of this Global Note will be equal to the aggregate nominal amount of Notes represented by this Global Note.

On an exchange of this Global Note, this Global Note shall be surrendered to or to the order of the Agent.

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respect be entitled to the same benefits as if he were the bearer of Definitive Notes and the relative Coupons, Receipts and/or Talons (if any) in the forms set out in Part III, Part IV, Part V and Part VI, respectively, of Schedule 2 to the Agency Agreement.

In the event that this Global Note (or any part hereof) has become due and repayable in accordance with the Conditions or that the Maturity Date has occurred and payment in full of the amount due has not been made to the bearer in accordance with the foregoing then, unless within the period of 15 days commencing on the relevant due date payment in full of the amount due in respect of this Global Note is received by the bearer in accordance with the foregoing, this Global Note will become void at 8.00 p.m. (London time) on such fifteenth day and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under the Deed of Covenant executed by the Issuer on 21

² Delete in the case of Notes issued initially in permanent global form (see Final Terms item 6).

³ Delete in the case of Notes issued initially in permanent global form (see Final Terms item 6).

July 2006 in respect of the Euro Medium Term Notes issued under the Programme Agreement pursuant to which this Global Note is issued).

This Global Note is governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by the Agent, and, if the applicable Final Terms indicate that this Global Note is intended to be held in a manner which would allow Eurosystem eligibility, effectuated by the entity appointed as common safekeeper by the Relevant Clearing Systems.

IN WITNESS whereof the Issuer has caused this Global Note to be duly executed on its behalf.

PEPSICO, INC.

By:.....
Authorised Signatory

Authenticated without recourse,
warranty or liability by
JPMORGAN CHASE BANK, N.A.

By:.....
Authorised Signatory

Effectuated without recourse,
warranty or liability by

.....
as common safekeeper

By:
Authorised Signatory

Part I

Interest Repayments

Date made	Total amount of interest payable	Amount of interest paid	Confirmation of payment on behalf of the Issuer

* Schedule One should only be completed where the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note.

Part II

Payment of Instalment Amounts

Date made	Total amount of Instalment Amounts payable	Amount of Instalment Amounts paid	Remaining nominal amount of this Global Note following such payment*	Confirmation of payment on behalf of the Issuer
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

Part III

Redemptions

Date made	Total amount of principal payable	Amount of principal paid	Remaining nominal amount of this Global Note following such redemption*	Confirmation of redemption on behalf of the Issuer

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount.

Part IV

Purchases and Cancellations

Date made	Part of nominal amount of this Global Note purchased and cancelled	Remaining nominal amount of this Global Note following such purchase and cancellation*	Confirmation of purchase and cancellation on behalf of the Issuer

* See most recent entry in Part II, III or IV of Schedule One or in Schedule Two in order to determine this amount

Schedule Two to the Permanent Global Note*

Schedule of Exchanges

The following exchanges affecting the nominal amount of this Global Note have been made:

Date made	Nominal amount of Temporary Global Note exchanged for this Global Note	Nominal amount of this Global Note exchanged for Definitive Notes	Notation made on behalf of the Issuer

* Schedule Two should only be completed where the applicable Final Terms indicate that this Global Note is not intended to be a New Global Note.

PART III

FORM OF DEFINITIVE NOTE

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

[Specified Currency and Nominal Amount of Tranche]

EURO MEDIUM TERM NOTES DUE [Year of Maturity]

This Note is one of a duly authorised issue of Euro Medium Term Notes denominated in the Specified Currency maturing on the Maturity Date (the **Notes**) of PepsiCo, Inc. (the **Issuer**). References herein to the Conditions shall be to the Terms and Conditions [endorsed hereon/set out in Schedule 1 to the Agency Agreement (as defined below) which shall be incorporated by reference herein and have effect as if set out hereon] as modified and supplemented by the Final Terms (the **Final Terms**) (or the relevant provisions of the Final Terms) endorsed hereon, but in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail.

This Note is issued subject to, and with the benefit of, the Conditions and an Agency Agreement (the **Agency Agreement**, which expression shall be construed as a reference to that agreement as the same may be amended, supplemented or restated from time to time) dated 21 July 2006 and made between the Issuer, JPMorgan Chase Bank, N.A. (the **Agent**) and the Paying Agents named therein.

For value received, the Issuer, subject to and in accordance with the Conditions, promises to pay to the bearer hereof [on each Instalment Date and] on the Maturity Date (if the Notes are redeemable in instalments) and/or on such earlier dates) as this Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of this Note on each such date and to pay interest (if any) on this Note calculated and payable as provided in the Conditions together with any other sums payable under the Conditions.

This Note shall not be validly issued unless authenticated by the Agent.

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

IN WITNESS whereof the Issuer has caused this Note to be duly executed on its behalf.

PEPSICO, INC.

By:

Authorised Signatory

Authenticated without recourse,
warranty or liability by
JPMORGAN CHASE BANK, N.A.

By:

Authorised Signatory

Effectuated without recourse,
warranty or liability by

.....
common safekeeper

By:

Authorised Signatory

Terms and Conditions

[Terms and Conditions to be as set out in Schedule 1 to the Agency Agreement]

Final Terms

[Here to be set out text of Final Terms relating to the Notes]

PART IV
FORM OF COUPON

(Face of Coupon)

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

[Specified Currency and Nominal Amount Tranche]
NOTES DUE [Year of Maturity]

Series No. []

Part A

[For Fixed Rate Notes:

This Coupon is payable to bearer, separately negotiable and subject to the Terms and Conditions of the said Notes.

Coupon for
[]
due on []
20[]

Part B

[For Floating Rate Notes or Indexed Interest Notes:

Coupon for the amount due in accordance with the Terms and Conditions on the said notes on the Interest Payment Date falling in [] 20[].

Coupon due
in []
20[]

This Coupon is payable to bearer, separately negotiable and subject to such Terms and Conditions, under which it may become void before its due date.]

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

00	000000	[ISIN]	00	000000
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AGENT

JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT

PAYING AGENTS

J.P. Morgan Bank Luxembourg S.A.
6 route de Treves
L-2633 Senningerberg
Luxembourg

and/or such other or further Agent and other or further Paying Agents and/or specified offices as may from time to time be duly appointed by the Issuer and notice of which has been given to the Noteholders.

PART V

FORM OF RECEIPT

(On the front)

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

[Specified Currency and Nominal Amount of Tranche]
EURO MEDIUM TERM NOTES DUE [Year of Maturity]

Series No. []

Receipt for the sum of [] being the instalment of principal payable in accordance with the Terms and Conditions endorsed on the Note to which this Receipt appertains (the **Conditions**) on [].

This Receipt is issued subject to and in accordance with the Conditions which shall be binding upon the holder of this Receipt (whether or not it is for the time being attached to such Note) and is payable at the specified office of the Agent or any of the Paying Agents set out on the reverse of the Note to which this Receipt appertains (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

This Receipt must be presented for payment together with the Note to which it appertains. The Issuer shall have no obligation in respect of any Receipt presented without the Note to which it appertains or any unmatured Receipts.

PEPSICO, INC.

By:

Authorised Signatory

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

PART VI
FORM OF TALON

(On the front)

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER).]¹

PEPSICO, INC.

[Specified Currency and Nominal Amount of Tranche]
EURO MEDIUM TERM NOTES DUE [Year of Maturity]

Series No. []

On or after [] further Coupons [and a further Talon] appertaining to the Note to which this Talon appertains will be issued at the specified office of the Agent or any of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon production and surrender of this Talon.

This Talon may, in certain circumstances, become void under the Terms and Conditions endorsed on the Notes to which this Talon appertains.

PEPSICO, INC.

By:

Authorised Signatory

¹ This legend will be required for all Notes with maturity (at issue) of 183 days or less.

AGENT

JPMorgan Chase Bank, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT

PAYING AGENTS

J.P. Morgan Bank Luxembourg S.A.
6 route de Treves
L-2633 Senningerberg
Luxembourg

and/or such other or further Agent and other or further Paying Agents and/or specified offices as may from time to time be duly appointed by the Issuer and notice of which has been given to the Noteholders.

SCHEDULE 3

FORM OF DEED OF COVENANT

THIS DEED OF COVENANT is made on 21 July 2006 by PepsiCo, Inc. (the Issuer) in favour of the account holders specified below of Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear System and/or any other additional clearing system or systems as are specified in the Final Terms relating to any Note (as defined below) (each a Clearing System).

WHEREAS:

(A) The Issuer has entered into a Programme Agreement (the Programme Agreement, which expression includes the same as it may be amended or supplemented from time to time) dated 21 July 2006 with the Dealers named therein under which the Issuer proposes from time to time to issue Euro Medium Term Notes (the Notes).

(B) The Notes will initially be represented by, and comprised in, Temporary Global Notes (the Temporary Global Notes) or Permanent Global Notes (the Permanent Global Notes, the Temporary Global Notes and the Permanent Global Notes being herein together called the Global Notes) representing a certain number of underlying Notes (the Underlying Notes). Each Underlying Note initially represented by, and comprised in, a Temporary Global Note may be thereafter represented by a Permanent Global Note.

(C) Each Global Note may, after issue, be deposited with a depositary or, as the case may be, the common safekeeper, for one or more Clearing Systems (each such Clearing System or all such Clearing Systems together, the Relevant Clearing System). Upon such deposit of a Global Note the Underlying Notes represented by such Global Note will be credited to a securities account or securities accounts with the Relevant Clearing System. Any account holder with the Relevant Clearing System which has underlying Notes credited to its securities account from time to time (each a Relevant Account Holder) will, subject to and in accordance with the terms and conditions and operating procedures or management regulations of the Relevant Clearing System, be entitled to transfer such Underlying Notes and (subject to and upon payment being made by the Issuer to the bearer in accordance with the terms of the relevant Global Note) will be entitled to receive payments from the Relevant Clearing System, as the case may be, calculated by reference to the Underlying Notes credited to its securities account.

(D) In certain circumstances specified in each Global Note, a Global Note will become void. The time at which a Global Note becomes void is hereinafter referred to as the Relevant Time. In such circumstances each Relevant Account Holder will, subject to and in accordance with the terms of this Deed, acquire against the Issuer all those rights which such Relevant Account Holder would have had if, prior to the Global Note becoming void, duly executed and authenticated Definitive Note(s) (as defined in the Agency Agreement) and, if the Notes are repayable in instalments, receipts in respect thereof (the Receipts) and interest coupons (the Coupons) appertaining to the Definitive Note(s) (if appropriate) had been issued in respect of its

Underlying Note(s) and such Definitive Note(s), Receipts (if appropriate) and Coupons (if appropriate) were held and beneficially owned by such Relevant Account Holder.

NOW THIS DEED WITNESSES AS FOLLOWS:

1. If any Global Note becomes void in accordance with the terms thereof the Issuer hereby undertakes and covenants with each Relevant Account Holder (other than when any Relevant Clearing System is an account holder of any other Relevant Clearing System) that each Relevant Account Holder shall automatically acquire at the Relevant Time, without the need for any further action on behalf of any person, against the Issuer all those rights which such Relevant Account Holder has credited to its securities account with the Relevant Clearing System at the Relevant Time. The Issuer's obligation pursuant to this clause shall be a separate and independent obligation by reference to each Underlying Note which a Relevant Account Holder has credited to its securities account with the Relevant Clearing System and the Issuer agrees that a Relevant Account Holder may assign its rights hereunder in whole or in part.

2. The records of the Relevant Clearing System shall be conclusive evidence of the identity of the Relevant Account Holders and the number of Underlying Notes credited to the securities account of each Relevant Account Holder. For the purposes hereof a statement issued by the Relevant Clearing System stating:

(i) the name of the Relevant Account Holder to which such statement is issued; and

(ii) the aggregate nominal amount of Underlying Notes credited to the securities account of such Relevant Account Holder as at the opening of business on the first day following the Relevant Time on which the Relevant Clearing System is open for business, shall be conclusive evidence of the records of the Relevant Clearing System at the Relevant Time.

3. In the event of a dispute, the determination of the Relevant Time by the Relevant Clearing System (in the absence of manifest error) shall be final and conclusive for all purposes in connection with the Relevant Account Holders with securities accounts with the Relevant Clearing System.

4. The Issuer will, subject to the exceptions and limitations set forth below, pay such Additional Amounts as are necessary in order that the net payment by the Issuer or any Paying Agent of the principal of and interest (including any discount) on a Note or Coupon to a holder who is a United States Alien (as such term is defined below), after deduction or withholding for or on account of any present or future tax, assessment or governmental charge of the United States (as such term is defined below), or a political subdivision or authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount provided for in such Note or such Coupon to be then due and payable; provided, however, that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any tax, assessment or governmental charge that would not have been so imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of a power):
 - (A) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein; or
 - (B) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof; or
 - (C) being or having been a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign personal holding company with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organisation; or
 - (D) being or having been an actual or a constructive “10-per cent. shareholder” of the Issuer as defined in Section 871(h)(3) of the Code, or a bank receiving interest described under Section 881(c)(3)(A) of the Code or a direct or indirect subsidiary of the Issuer; or
- (ii) any holder who is a fiduciary or partnership or other than the sole beneficial owner of the Note or Coupon, but only to the extent that a beneficiary or settlor with respect to such fiduciary or member of such partnership or a beneficial owner of the Note or Coupon would not have been entitled to the payment of an additional amount had such beneficiary, settlor, member or beneficial owner been the holder of such Note or Coupon; or
- (iii) any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification information reporting requirements under United States income tax laws, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note or Coupon, if such compliance is required by United States income tax laws, without regard to any tax treaty, as a precondition to relief or exemption from such tax, assessment or governmental charge; or
- (iv) any tax, assessment or governmental charge that would not have been so imposed or withheld but for the presentation by the holder of such Note or Coupon for payment on a date more than 30 days after the Relevant Date; or
- (v) any estate, inheritance, gift, sales, transfer, excise, wealth or personal property tax or any similar tax, assessment or governmental charge; or

- (vi) any tax, assessment or governmental charge that is (a) payable otherwise than by withholding by the Issuer or a Paying Agent from the payment of the principal of or interest on such Note or Coupon or (b) is required to be withheld by any Paying Agent from any such payment if such payment can be made without such withholding by any other Paying Agent; or
- (vii) any withholding or deduction that is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (viii) any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (ix) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii).

As used with this paragraph, **United States** means the United States of America (including the States and the District of Columbia), the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction and **United States Alien** means any person that is for United States federal income tax purposes (A) a foreign corporation, (B) a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien fiduciary of a foreign estate or trust, (C) a non-resident alien individual or (D) a non-resident alien fiduciary of a foreign estate or trust.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders.

5. The Issuer will pay any stamp and other duties and similar taxes, including interest and penalties, payable on or in connection with the execution of this Deed and any action taken by any Relevant Account Holder to enforce the provisions of this Deed.

6. The Issuer hereby warrants, represents and covenants with each Relevant Account Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Deed, and that this Deed constitutes a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally.

7. This Deed shall take effect as a Deed Poll for the benefit of the Relevant Account Holders from time to time and for the time being. This Deed shall be deposited with and held by the depositary or, as the case may be, the common

safekeeper for the Relevant Clearing System until all the obligations of the Issuer hereunder have been discharged in full.

8. The Issuer hereby acknowledges the right of every Relevant Account Holder to the production of, and the right of every Relevant Account Holder to obtain (upon payment of a reasonable charge) a copy of, this Deed, and further acknowledges any covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Relevant Account Holder, and that each Relevant Account Holder shall be entitled severally to enforce the said obligations against the Issuer.

9. This Deed is governed by, and shall be construed in accordance with, the law of England.

The Issuer hereby irrevocably agrees, for the exclusive benefit of the Paying Agents, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed and that accordingly any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with this Deed may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer hereby appoints PepsiCo International Limited at its registered office at 63 Kew Road, Richmond, Surrey, England TW9 2QL (Attention: Division Counsel) as its agent for service of process, and undertakes that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person, as the Agent may approve, as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve process in any manner permitted by law.

10. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

IN WITNESS whereof the Issuer has caused this Deed to be duly executed the day and year first above mentioned.

EXECUTED as a DEED under seal)
by **PEPSICO, INC.**)
and signed and delivered as a deed on)
its behalf by)
in the presence of:)

Witness:

Name:

Address:

SCHEDULE 4

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. As used in this Schedule the following expressions shall have the following meanings unless the context otherwise requires:
 - (i) **voting certificate** shall mean an English language certificate issued by a Paying Agent and dated in which it is stated:
 - (a) that on the date thereof Notes (not being Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate and any adjourned such meeting) bearing specified serial numbers were deposited with such Paying Agent or (to the satisfaction for such Paying Agent) were held to its order or under its control and that no such Notes will cease to be so deposited or held until the first to occur of:
 - (1) the conclusion of the meeting specified in such certificate or, if applicable, any adjourned such meeting; and
 - (2) the surrender of the certificate to the Paying Agent who issued the same; and
 - (b) that the bearer thereof is entitled to attend and vote at such meeting and any adjourned such meeting in respect of the Notes represented by such certificate;
 - (ii) **block voting instruction** shall mean an English language document issued by a Paying Agent and dated in which:
 - (a) it is certified that Notes (not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction and any adjourned such meeting) have been deposited with such Paying Agent or (to the satisfaction of such Paying Agent) where held to its order or under its control and that no such Notes will cease to be so deposited or held until the first to occur of:
 - (1) the conclusion of the meeting specified in such document or, if applicable, any adjourned such meeting; and
 - (2) the surrender to the Paying Agent not less than 48 hours before the time for which such meeting or any adjourned such meeting is convened on the receipt issued by such Paying Agent in respect of each such

deposited Note which is to be released or (as the case may require) the Note or Notes ceasing with the agreement of the Paying Agent to be held to its order or under its control and the giving of notice by the Paying Agent to the Issuer in accordance with paragraph 17 hereof of the necessary amendment to the block voting instruction;

- (b) it is certified that each holder of such Notes has instructed such Paying Agent that the vote(s) attributable to the Note or Notes so deposited or held should be cast in a particular way in relation to the resolution or resolutions to be put to such meeting or any adjourned such meeting and that all such instructions are during the period commencing 48 hours prior to the time for which such meeting or any adjourned such meeting is convened and ending at the conclusion or adjournment thereof neither revocable nor capable of amendment;
- (c) the total number and the serial numbers of the Notes so deposited or held are listed distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more persons named in such document (each hereinafter called a **proxy**) is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in paragraph (c) above as set out in such document.

The holder of any voting certificate or the proxies named in any block voting instruction shall for all purposes in connection with the relevant meeting or adjourned meeting of Noteholders be deemed to be the holder of the Notes to which such voting certificate or block voting instruction relates and the Paying Agent with which such Notes have been deposited or the person holding the same to the order or under the control of such Paying Agent shall be deemed for such purposes not to be the holder of those Notes.

- (iii) References herein to the **Notes** are to the Notes in respect of which the relevant meeting is convened.

- 2. The Issuer may at any time and, upon a requisition in writing of Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being outstanding, shall convene a meeting of the Noteholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the requisitionists. Whenever the Issuer is about

to convene any such meeting it shall forthwith give notice in writing to the Agent and the Dealers of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as the Agent may approve.

3. At least 21 days' notice (exclusive of the day on which the notice is given and the day on which the meeting is held) specifying the place, day and hour of meeting shall be given to the Noteholders prior to any meeting of the Noteholders in the manner provided by Condition 13. Such notice shall state generally the nature of the business to be transacted at the meeting thereby convened but (except for an Extraordinary Resolution) it shall not be necessary to specify in such notice the terms of any resolution to be proposed. Such notice shall include a statement to the effect that Notes may be deposited with Paying Agents for the purpose of obtaining voting certificates or appointing proxies not less than 24 hours before the time fixed for the meeting or that, in the case of corporations, they may appoint representatives by resolution of their directors or other governing body. A copy of the notice shall be sent by post to the Issuer (unless the meeting is convened by the Issuer).
4. Some person (who may but need not be a Noteholder) nominated in writing by the Issuer shall be entitled to take the chair at every such meeting but if no such nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting the Noteholders present shall choose one of their number to be Chairman.
5. At any such meeting one or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one third in nominal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution) namely:
 - (i) modification of the Maturity Date of the Notes or reduction or cancellation of the nominal amount payable upon maturity; or
 - (ii) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or

variation of the method of calculating the rate of interest in respect of the Notes; or

- (iii) reduction of any Minimum Interest Rate and/or Maximum Interest Rate specified in the applicable Final Terms of any Note; or
- (iv) modification of the currency in which payments under the Notes and/or the Receipts and/or Coupons appertaining thereto are to be made; or
- (v) modification of the majority required to pass an Extraordinary Resolution; or
- (vi) the sanctioning of any such scheme or proposal as is described in paragraph 18(F) below; or
- (vii) alteration of this proviso or the proviso to paragraph 6 below;

the quorum shall be one or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than 66 2/3 per cent. An Extraordinary Resolution passed at any meeting of the holders of Notes will be binding on all holders of Notes, whether or not they are present at the meeting, and on all holders of Coupons appertain to such Notes.

6. If within fifteen minutes after the time appointed for any such meeting a quorum is not present the meeting shall if convened upon the requisition of Noteholders be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period being not less than 14 days nor more than 42 day, and at such place as may be appointed by the Chairman and approved by the Agent) and at such adjourned meeting one or more persons present holding Notes or voting certificates or being proxies (whatever the nominal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum being present PROVIDED THAT at any adjourned meeting the business of which includes any of the matters specified in the proviso to paragraph 5 above the quorum shall be one or more persons present holding Notes or voting certificates of being proxies and holding or representing in the aggregate not less than 33 1/3 per cent, in nominal amount of the Notes for the time being outstanding.
7. Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in paragraph 3 above and such notice shall

(except in cases where the proviso to paragraph 6 above shall apply when it shall state the relevant quorum) state that one or more persons present holding Notes or voting certificates or being proxies at the adjourned meeting whatever the nominal amount of the Notes held or represented by them will form a quorum. Subject as aforesaid it shall not be necessary to give any notice of an adjourned meeting.

8. Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a holder of a voting certificate or as a proxy.
9. At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Issuer or by one or more persons present holding Notes or voting certificates or being proxies (whatever the nominal amount of the Notes so held by them), a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
10. Subject to paragraph 12 below, if at any such meeting a poll is so demanded it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
11. The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transaction at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
12. Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
13. Any director or officer of the Issuer and its lawyers may attend and speak at any meeting. Save as aforesaid, but without prejudice to the proviso to the definition of “outstanding” in Clause 1(2) of this Agreement, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders or join with others in requisitioning the convening of such a meeting unless he either produces the Note or Notes of which he is the holder or a voting certificate or is a proxy. Neither the Issuer nor any Subsidiary shall be entitled to vote at any meeting in respect of Notes held by it for the benefit of any such company and no other person shall be entitled to vote at any meeting in respect of Notes held by it for the benefit of any such

company. Nothing herein contained shall prevent any of the proxies named in any block voting instruction from being a director, officer or representative of or otherwise connected with the Issuer.

14. Subject as provided in paragraph 13 hereof at any meeting:
- (A) on a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote; and
 - (B) on a poll every person who is so present shall have one vote in respect of:
 - (i) in the case of a meeting of the holders of Notes all of which are denominated in a single currency, each minimum integral amount of such currency; and
 - (ii) in the case of a meeting of the holders of Notes denominated in more than one currency, each U.S.\$1.00 or, in the case of a Note denominated in a currency other than U.S. dollars, the equivalent of U.S.\$1.00 in such currency at the Agent's spot buying rate for the relevant currency against U.S. dollars at or about 11.00 a.m. (London time) on the date of publication of the notice of the relevant meeting (or of the original meeting of which such meeting is an adjournment),

or such other amount as the Agent shall in its absolute discretion stipulate in nominal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is proxy.

Without prejudice to the obligations of the proxies named in any block voting instruction any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxies named in any block voting instruction need not be Noteholders.
16. Each block voting instruction together (if so requested by the Issuer) with proof satisfactory to the Issuer of its due execution on behalf of the relevant Paying Agent shall be deposited at such place as the Agent shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the block voting instruction propose to vote and in default the block voting instruction shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A certified copy of each block voting instruction shall be deposited with the Agent before the commencement of the meeting or adjourned meeting but the Agent shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such block voting instruction.

17. Any vote given in accordance with the terms of a block voting instruction shall be valid notwithstanding the previous revocation or amendment of the block voting instruction or of any of the Noteholders' instructions pursuant to which it was executed PROVIDED THAT no intimation in writing of such revocation or amendment shall have been received from the relevant Paying Agent by the Issuer at its registered office (or such other place as may have been approved by the Agent for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the block voting instruction is to be used.
18. A meeting of the Noteholders shall in addition to the powers hereinbefore given have the following powers exercisable by Extraordinary Resolution (subject to the provisions relating to quorum contained in paragraphs 5 and 6 above) only namely:
- (A) Power to sanction any compromise or arrangement proposed to be made between the Issuer and the Noteholders and Couponholders or any of them.
 - (B) Power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and Couponholders against the Issuer or against any of its property whether such rights shall arise under these presents, the Notes or the Coupons or otherwise.
 - (C) Power to assent to any modification of the provisions contained in these presents or the Conditions, the Notes or the Coupons which shall be proposed by the Issuer.
 - (D) Power to give any authority or sanction which under the provisions of these presents or the Notes is required to be given by Extraordinary Resolution.
 - (E) Power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.
 - (F) Power to sanction any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into or the cancellation of the Notes in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.

(G) Power to approve the substitution of any entity in place of the Issuer (or any previous substitute) as the principal debtor in respect of the Notes and the Coupons.

19. Any resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provision hereof shall be binding upon all the Noteholders whether present or not present at such meeting and whether or not voting and upon all Couponholders and Receiptholders and each of them shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published in accordance with Condition 13 by the Issuer within 14 days of such result being known PROVIDED THAT the non-publication of such notice shall not invalidate such resolution.
20. The expression ***Extraordinary Resolution*** when used in this Agreement or the Conditions means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions herein contained by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll.
21. Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer and any such Minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which Minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had thereat to have been duly passed or had.
22. Subject to all other provisions contained herein the Agent may without the consent of the Issuer, the Noteholders or the Couponholders prescribe such further regulations regarding the requisitioning and/or the holding of meetings of Noteholders and attendance and voting thereat as the Agent may in its sole discretion think fit.

SCHEDULE 5

FORM OF PUT NOTICE

PEPSICO, INC.

[title of relevant Series of Notes]

By depositing this duly completed Notice with any Paying Agent for the above Series of Notes (the **Notes**) the undersigned holder of such Notes surrendered with this Notice and referred to below irrevocably exercises its option to have such Notes redeemed in accordance with Condition 6(d) on [redemption date].

The Notice relates to Notes in the aggregate nominal amount of bearing the following serial numbers:

.....
.....
.....

If the Notes referred to above are to be returned ⁽¹⁾ to the undersigned under Clause 10(4) of the Agency Agreement, they should be returned by post to:

.....
.....
.....

Payment Instructions

Please make payment in respect of the above-mentioned Notes by [cheque posted to the above address/transfer to the following bank account] ⁽²⁾:

Bank:
Branch Address:
Branch Code:
Account Number:
Signature of holder:

Duly authorised on behalf of [_____]

[To be completed by recipient Paying Agent]

Details of missing unmatured Coupons⁽³⁾

Received by

[Signature and stamp of Paying Agent]

At its office at:

On:

Notes

(1) The Agency Agreement provides that Notes so returned will be sent by post, uninsured and at the risk of the Noteholder, unless the Noteholder otherwise requests and pays the cost of such insurance to the relevant Paying Agent at the time of depositing the Note referred to above.

(2) Delete as applicable.

(3) Only relevant for Fixed Rate Notes (which are not also Indexed Redemption Amount Notes) in definitive form.

N.B. The Paying Agent with whom the above-mentioned Notes are deposited will not in any circumstances be liable to the depositing Noteholder or any other person for any loss or damage arising from any act, default or omission of such Paying Agent in relation to the said Notes or any of them unless such loss or damage was caused by the fraud or gross negligence of such Paying Agent or its directors, officers or employees.

This Put Option is not valid unless all of the paragraphs requiring completion are duly completed. Once validly given this Put Notice is irrevocable except in the circumstances set out in Clause 10(4) of the Agency Agreement.

By:

The Issuer

PEPSICO, INC.
700 Anderson Hill Road
Purchase
New York 10577

Telephone: 914 253 2200

Telefax No: 62848 PEPSICO

Telefax No: 914 249 8346

By: /s/ Lionel L. Nowell III

Name: Lionel L. Nowell III

Title: Senior Vice President & Treasurer

By: /s/ J. Darrell Thomas

Name: J. Darrell Thomas

Title: Vice President and Assistant Treasurer

The Agent

JPMORGAN CHASE BANK, N.A.
Trinity Tower
9 Thomas More Street
London E1W 1YT

Telephone: (44) 1202 347430

Telex No: 8954681 CMB G

Telefax No: (44) 1202 347601

Attention WSS-Operations

By: /s/ Jason Mistry

Jason Mistry

The other Paying Agents

J.P. MORGAN BANK LUXEMBOURG S.A.
6 route de Treves
L-2633 Senningerberg
Luxembourg

All communications c/o the Agent

By: /s/ Jason Mistry.
Jason Mistry

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21 July 2006

PEPSICO, INC.

**DEED OF COVENANT
in respect of a U.S.\$2,500,000,000
EURO MEDIUM TERM NOTE PROGRAMME**

DEED OF COVENANT

THIS DEED OF COVENANT is made on 21 July, 2006 by PepsiCo, Inc. (the **Issuer**) in favour of the account holders specified below of Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear System and/or any other additional clearing system or systems as are specified in the Final Terms relating to any Note (as defined below) (each a **Clearing System**).

WHEREAS:

- (A) The Issuer has entered into a Programme Agreement (the **Programme Agreement**, which expression includes the same as it may be amended or supplemented from time to time) dated 21 July, 2006 with the Dealers named therein under which the Issuer proposes from time to time to issue Euro Medium Term Notes (the **Notes**).
- (B) The Notes will initially be represented by, and comprised in, Temporary Global Notes (the **Temporary Global Notes**) or Permanent Global Notes (the **Permanent Global Notes**, the Temporary Global Notes and the Permanent Global Notes being herein together called the **Global Notes**) representing a certain number of underlying Notes (the **Underlying Notes**). Each Underlying Note initially represented by, and comprised in, a Temporary Global Note may be thereafter represented by a Permanent Global Note.
- (C) Each Global Note may, after issue, be deposited with a depository or, as the case may be, the common safekeeper, for one or more Clearing Systems (each such Clearing System or all such Clearing Systems together, the **Relevant Clearing System**). Upon such deposit of a Global Note the Underlying Notes represented by such Global Note will be credited to a securities account or securities accounts with the Relevant Clearing System. Any account holder with the Relevant Clearing System which has underlying Notes credited to its securities account from time to time (each a **Relevant Account Holder**) will, subject to and in accordance with the terms and conditions and operating procedures or management regulations of the Relevant Clearing System, be entitled to transfer such Underlying Notes and (subject to and upon payment being made by the Issuer to the bearer in accordance with the terms of the relevant Global Note) will be entitled to receive payments from the Relevant Clearing System, as the case may be, calculated by reference to the Underlying Notes credited to its securities account.
- (D) In certain circumstances specified in each Global Note, a Global Note will become void. The time at which a Global Note becomes void is hereinafter referred to as the **Relevant Time**. In such circumstances each Relevant Account Holder will, subject to and in accordance with the terms of this Deed, acquire against the Issuer all those rights which such Relevant Account Holder would have had if, prior to the Global Note becoming void, duly executed and authenticated Definitive Note(s) (as defined in the Agency Agreement) and, if the Notes are repayable in instalments, receipts in respect thereof (the **Receipts**) and interest coupons (the **Coupons**) appertaining to the Definitive Note(s) (if appropriate) had been issued in respect of its Underlying Note(s) and such Definitive Note(s), Receipts (if appropriate) and Coupons (if

appropriate) were held and beneficially owned by such Relevant Account Holder.

NOW THIS DEED WITNESSES AS FOLLOWS:

1. If any Global Note becomes void in accordance with the terms thereof the Issuer hereby undertakes and covenants with each Relevant Account Holder (other than when any Relevant Clearing System is an account holder of any other Relevant Clearing System) that each Relevant Account Holder shall automatically acquire at the Relevant Time, without the need for any further action on behalf of any person, against the Issuer all those rights which such Relevant Account Holder has credited to its securities account with the Relevant Clearing System at the Relevant Time. The Issuer's obligation pursuant to this clause shall be a separate and independent obligation by reference to each Underlying Note which a Relevant Account Holder has credited to its securities account with the Relevant Clearing System and the Issuer agrees that a Relevant Account Holder may assign its rights hereunder in whole or in part.
2. The records of the Relevant Clearing System shall be conclusive evidence of the identity of the Relevant Account Holders and the number of Underlying Notes credited to the securities account of each Relevant Account Holder. For the purposes hereof a statement issued by the Relevant Clearing System stating:
 - (i) the name of the Relevant Account Holder to which such statement is issued; and
 - (ii) the aggregate nominal amount of Underlying Notes credited to the securities account of such Relevant Account Holder as at the opening of business on the first day following the Relevant Time on which the Relevant Clearing System is open for business, shall be conclusive evidence of the records of the Relevant Clearing System at the Relevant Time.
3. In the event of a dispute, the determination of the Relevant Time by the Relevant Clearing System (in the absence of manifest error) shall be final and conclusive for all purposes in connection with the Relevant Account Holders with securities accounts with the Relevant Clearing System.
4. The Issuer will, subject to the exceptions and limitations set forth below, pay such Additional Amounts as are necessary in order that the net payment by the Issuer or any Paying Agent of the principal of and interest (including any discount) on a Note or Coupon to a holder who is a United States Alien (as such term is defined below), after deduction or withholding for or on account of any present or future tax, assessment or governmental charge of the United States (as such term is defined below), or a political subdivision or authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount provided for in such Note or such Coupon to be then due and payable; provided, however, that the foregoing obligation to pay Additional Amounts shall not apply to:

- (i) any tax, assessment or governmental charge that would not have been so imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of a power):
 - (A) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein; or
 - (B) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof; or
 - (C) being or having been a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign personal holding company with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organisation; or
 - (D) being or having been an actual or a constructive “10-per cent. shareholder” of the Issuer as defined in Section 871(h)(3) of the Code, or a bank receiving interest described under Section 881(c)(3)(A) of the Code or a direct or indirect subsidiary of the Issuer; or
- (ii) any holder who is a fiduciary or partnership or other than the sole beneficial owner of the Note or Coupon, but only to the extent that a beneficiary or settlor with respect to such fiduciary or member of such partnership or a beneficial owner of the Note or Coupon would not have been entitled to the payment of an additional amount had such beneficiary, settlor, member or beneficial owner been the holder of such Note or Coupon; or
- (iii) any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification information reporting requirements under United States income tax laws, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note or Coupon, if such compliance is required by United States income tax laws, without regard to any tax treaty, as a precondition to relief or exemption from such tax, assessment or governmental charge; or
- (iv) any tax, assessment or governmental charge that would not have been so imposed or withheld but for the presentation by the holder of such

Note or Coupon for payment on a date more than 30 days after the Relevant Date; or

- (v) any estate, inheritance, gift, sales, transfer, excise, wealth or personal property tax or any similar tax, assessment or governmental charge; or
- (vi) any tax, assessment or governmental charge that is (a) payable otherwise than by withholding by the Issuer or a Paying Agent from the payment of the principal of or interest on such Note or Coupon or (b) is required to be withheld by any Paying Agent from any such payment if such payment can be made without such withholding by any other Paying Agent; or
- (vii) any withholding or deduction that is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (viii) any Note or Coupon presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (ix) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii).

As used with this paragraph, **United States** means the United States of America (including the States and the District of Columbia), the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction and **United States Alien** means any person that is for United States federal income tax purposes (A) a foreign corporation, (B) a foreign partnership one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien fiduciary of a foreign estate or trust, (C) a non-resident alien individual or (D) a non-resident alien fiduciary of a foreign estate or trust.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders.

5. The Issuer will pay any stamp and other duties and similar taxes, including interest and penalties, payable on or in connection with the execution of this Deed and any action taken by any Relevant Account Holder to enforce the provisions of this Deed.
6. The Issuer hereby warrants, represents and covenants with each Relevant Account Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Deed, and that this Deed constitutes a legal, valid and binding obligation of the

Issuer enforceable in accordance with its terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally.

7. This Deed shall take effect as a Deed Poll for the benefit of the Relevant Account Holders from time to time and for the time being. This Deed shall be deposited with and held by the depositary or, as the case may be, the common safekeeper for the Relevant Clearing System until all the obligations of the Issuer hereunder have been discharged in full.
8. The Issuer hereby acknowledges the right of every Relevant Account Holder to the production of, and the right of every Relevant Account Holder to obtain (upon payment of a reasonable charge) a copy of, this Deed, and further acknowledges any covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Relevant Account Holder, and that each Relevant Account Holder shall be entitled severally to enforce the said obligations against the Issuer.
9. This Deed is governed by, and shall be construed in accordance with, the law of England.

The Issuer hereby irrevocably agrees, for the exclusive benefit of the Paying Agents, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with this Deed may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer hereby appoints PepsiCo International Limited at its registered office at 63 Kew Road, Richmond, Surrey, England TW9 2QL (Attention: Division Counsel) as its agent for service of process, and undertakes that, in the event of PepsiCo International Limited ceasing so to act or ceasing to be registered in England, it will appoint another person, as the Agent may approve, as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve process in any manner permitted by law.

10. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

IN WITNESS whereof the Issuer has caused this Deed to be duly executed the day and year first above mentioned.

EXECUTED as a DEED under seal)
by **PEPSICO, INC.**)
and signed and delivered as a deed on)
its behalf by)
in the presence of:)

Witness: /s/ Cynthia Nastanski

Name: /s/ Lionel L. Nowell
Lionel L. Nowell

Address: PepsiCo, Inc.
700 Anderson Hill Road
Purchase, NY 10577

EXECUTED as a DEED under seal)
by **PEPSICO, INC.**)
and signed and delivered as a deed on)
its behalf by)
in the presence of:)

Witness: /s/ Cynthia Nastanski

Name: /s/ J. Darrell Thomas
J. Darrell Thomas

Address: PepsiCo, Inc.
700 Anderson Hill Road
Purchase, NY 10577

PepsiCo, Inc.
2003 Long-Term Incentive Plan
(as amended and restated effective October 1, 2006)

1. Purposes.

The purposes of this Plan are to provide long-term incentives to those persons with significant responsibility for the success and growth of PepsiCo, Inc. ("PepsiCo") and its subsidiaries, divisions and affiliated businesses, to associate the interests of such persons with those of PepsiCo's shareholders, to assist PepsiCo in recruiting, retaining and motivating a diverse group of employees and outside directors on a competitive basis, and to ensure a pay for performance linkage for such employees and outside directors. If approved by PepsiCo's shareholders, this Plan would replace the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the Director Stock Plan and the PepsiCo Share Award Plan, and no further awards would be made under any of the foregoing plans.

2. Definitions.

For purposes of the Plan:

(a) "Award" means a grant of Options, Stock Appreciation Rights, Restricted Shares, Restricted Share Units, Performance Awards, vested shares of Common Stock, or any or all of them (but vested shares of Common Stock may not be granted to employees or officers).

(b) "Board" means the Board of Directors of PepsiCo, Inc.

(c) "Change in Control" is defined in Section 11(f).

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means, with respect to any matter relating to Section 8 of the Plan, the Board, and with respect to all other matters under the Plan, the Compensation Committee of the Board of Directors of PepsiCo, Inc. The Compensation Committee shall be appointed by the Board and shall consist of two or more outside, disinterested members of the Board. The Compensation Committee, in the judgment of the Board, shall be qualified to administer the Plan as contemplated by (a) Rule 16b-3 of the Securities and Exchange Act of 1934 (or any successor rule), (b) Section 162(m) of the Code, as amended, and the regulations thereunder (or any successor Section and regulations), and (c) any rules and regulations of a stock exchange on which Common Stock is traded. Any member of the Compensation Committee who does not satisfy the qualifications set out in the preceding sentence may recuse himself or herself from any vote or other action taken by the Committee. The Board may, at any time and in its complete discretion, remove any member of the Compensation Committee and may fill any vacancy in the Compensation Committee.

(f) "Common Stock" means the common stock, par value 1 2/3 cents per share, of PepsiCo, Inc.

(g) "Company" means PepsiCo, its subsidiaries, divisions and affiliated businesses.

(h) "Eligible Participants" means any of the following individuals who is designated by the Committee as eligible to receive Awards, subject to the conditions set forth in this Plan: any officer, employee, consultant or advisor of the Company. The term employee does not include any individual who is not, as of the grant date of an Award, classified by the Company as an employee on its corporate books and records even if that individual is later reclassified (by the Company, any court or any governmental or

regulatory agency) as an employee as of the grant date. Non-Employee Directors are not Eligible Participants.

(i) “Employee Directors” means the members of the Board who are also employees of the Company.

(j) “Fair Market Value” on any date means the average of the high and low market prices at which a share of Common Stock shall have been sold on such date, or the immediately preceding trading day if such date was not a trading day, as reported on the New York Stock Exchange Composite Transactions Listing and, in the case of an ISO, means fair market value as determined by the Committee in accordance with Section 422 of the Code.

(k) “ISO” means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an ISO.

(l) “Named Executive Officer” means PepsiCo’s Chief Executive Officer and PepsiCo’s next four highest paid executive officers, as reported in PepsiCo’s proxy statement pursuant to Regulation S-K, Item 402(a)(3) for a given year.

(m) “Non-Employee Director” means a member of the Board who is not an employee of the Company.

(n) “NQSO” or “Non-Qualified Stock Option” means an Option that does not satisfy the requirements of Section 422 of the Code and that is not designated as an ISO by the Committee.

(o) “Options” means the right to purchase shares of Common Stock at a specified price for a specified period of time.

(p) “Option Exercise Price” means the purchase price per share of Common Stock covered by an Option granted pursuant to this Plan.

(q) “Participant” means an individual who has received an Award under this Plan.

(r) “PepsiCo” means PepsiCo, Inc., a North Carolina corporation.

(s) “Performance Awards” means an Award of Performance Shares or Performance Units based on the achievement of Performance Goals during a Performance Period.

(t) “Performance Based Exception” means the performance-based exception set forth in Code Section 162(m)(4)(C) from the deductibility limitations of Code Section 162(m).

(u) “Performance Goals” means the goals established by the Committee under Section 7(d).

(v) “Performance Measures” means the criteria set out in Section 7(d) that may be used by the Committee as the basis for a Performance Goal.

(w) “Performance Period” means the period established by the Committee during which the achievement of Performance Goals is assessed in order to determine whether and to what extent a Performance Award has been earned.

(x) “Performance Shares” means shares of Common Stock awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

(y) “Performance Units” means an Award denominated in shares of Common Stock, cash or a combination thereof, as determined by the Committee, awarded to a Participant based on the achievement of Performance Goals during a Performance Period.

(z) “Plan” means the PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated from time to time.

(aa) “Prior Plans” means the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the Director Stock Plan, the PepsiCo Share Award Plan, the PepsiCo 1987 Incentive Plan, the Quaker Long Term Incentive Plan of 1990, the Quaker Long Term Incentive Plan of 1999 and the Quaker Stock Compensation Plan for Outside Directors.

(bb) “Restriction Period” means, with respect to Restricted Shares or Restricted Share Units, the period during which any restrictions set by the Committee remain in place. Restrictions remain in place until such time as they have lapsed under the terms and conditions of the Restricted Shares or as otherwise determined by the Committee.

(cc) “Restricted Shares” means shares of Common Stock, which may not be traded or sold until the date that the restrictions on transferability imposed by the Committee with respect to such shares have lapsed.

(dd) “Restricted Share Units” means the right, as described in Section 7(c), to receive an amount, payable in either cash or shares of Common Stock, equal to the value of a specified number of shares of Common Stock.

(ee) “Retirement” with respect to a Non-Employee Director shall mean termination from the Board after such Non-Employee Director shall have attained at least age 55 or after such Non-Employee Director shall have satisfied the criteria for Retirement established by the Employee Directors from time to time.

(ff) “Stock Appreciation Rights” or “SAR” means the right to receive the difference between the Fair Market Value of a share of Common Stock on the grant date and the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is exercised.

(gg) “Total Disability” shall have the meaning set forth in the long-term disability program of PepsiCo.

3. Administration of the Plan.

(a) Authority of Committee. The Plan shall be administered by the Committee, which shall have all the powers vested in it by the terms of the Plan, such powers to include the authority (within the limitations described herein):

- to select the persons to be granted Awards under the Plan,
- to determine the type, size and terms of Awards to be made to each person selected,
- to determine the time when Awards are to be made and any conditions which must be satisfied before an Award is made,
- to establish objectives and conditions for earning Awards,
- to determine whether an Award shall be evidenced by an agreement and, if so, to determine the terms of such agreement (which shall not be inconsistent with the Plan) and who must sign such agreement,
- to determine whether the conditions for earning an Award have been met and whether an Award will be paid at the end of the Performance Period,
- to determine if and when an Award may be deferred,
- to determine whether the amount or payment of an Award should be reduced or eliminated,
- to determine the guidelines and/or procedures for the payment or exercise of Awards, and

- to determine whether an Award should qualify, regardless of its amount, as deductible in its entirety for federal income tax purposes, including whether any Awards granted to Named Executive Officers comply with the Performance Based Exception under Code Section 162(m).

(b) Interpretation of Plan. The Committee shall have full power and authority to administer and interpret the Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and instruments, which are not contrary to the terms of the Plan and which, in its opinion, may be necessary or advisable for the administration and operation of the Plan. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including PepsiCo, its shareholders and any person receiving an Award under the Plan.

(c) Delegation of Authority. To the extent not prohibited by law, the Committee may delegate its authority hereunder and may grant authority to employees or designate employees of the Company to execute documents on behalf of the Committee or to otherwise assist the Committee in the administration and operation of the Plan.

4. Eligibility.

(a) General. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Eligible Participants those to whom Awards shall be granted under Section 7 and shall determine the nature and amount of each Award. Only Non-Employee Directors shall be eligible to receive Awards under Section 8.

(b) International Participants. Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company operates or has employees, the Committee, in its sole discretion, shall have the power and authority to (i) determine which Eligible Participants (if any) employed by the Company outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any Awards made to such Eligible Participants, and (iii) establish subplans and modified Option exercise procedures and other Award terms and procedures to the extent such actions may be necessary or advisable.

5. Shares of Common Stock Subject to the Plan.

(a) Authorized Number of Shares. Unless otherwise authorized by PepsiCo's shareholders and subject to the provisions of this Section 5 and Section 10, the maximum aggregate number of shares of Common Stock available for issuance under the Plan shall be (i) 70 million, plus (ii) the number of shares underlying awards under the Prior Plans, which are cancelled or expire after the effective date of this Plan. Any of the authorized shares may be used for any of the types of Awards described in the Plan, except:

(i) at least 20 million of the authorized shares will be available for issuance in connection with broad-based grants under PepsiCo's SharePower program,

(ii) no more than 30 million of the authorized shares may be issued pursuant to Awards other than Options granted with an Option Exercise Price equal to Fair Market Value on the date of grant, and

(iii) no more than 50 million shares may be issued in the form of ISOs.

(b) Share Counting. The following shall apply in determining the number of shares remaining available for grant under this Plan:

(i) In connection with the granting of an Option or other Award (other than a Performance Unit denominated in dollars), the number of shares of Common Stock available for issuance under this Plan shall be reduced by the number of shares in respect of which the Option or Award is granted

or denominated; provided, however, that where a SAR is settled in shares of Common Stock, the number of shares of Common Stock available for issuance under this Plan shall be reduced only by the number of shares issued in such settlement.

(ii) If any Option is exercised by tendering shares of Common Stock to PepsiCo as full or partial payment of the exercise price, the number of shares available for issuance under this Plan shall be increased by the number of shares so tendered.

(iii) Whenever any outstanding Option or other Award (or portion thereof) expires, is cancelled, is settled in cash or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Option or Award, the shares allocable to the expired, cancelled, settled or otherwise terminated portion of the Option or Award may again be the subject of Options or Awards granted under this Plan.

(iv) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become employees as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company as a result of an acquisition will not count against the reserve of available shares under this Plan.

(c) Shares to be Delivered. Shares of Common Stock to be delivered by the Company under this Plan shall be determined by the Committee and may consist in whole or in part of authorized but unissued shares, treasury shares or shares acquired on the open market.

6. Award Limitations.

The maximum number of Options or SARs that can be granted to any Eligible Participant during a single calendar year cannot exceed 2,000,000. The maximum per Eligible Participant, per calendar year amount of Awards other than Options and SARs shall not exceed \$15,000,000 or 500,000 shares of Common Stock. The maximum Award that may be granted to any Eligible Participant for a Performance Period greater than one year shall not exceed the foregoing annual maximum multiplied by the number of full years in the Performance Period.

7. Awards to Eligible Participants.

(a) Options.

(i) Grants. Subject to the terms and provisions of this Plan, Options may be granted to Eligible Participants. Options may consist of ISOs or NQSOs, as the Committee shall determine. Options may be granted alone or in tandem with SARs. With respect to Options granted in tandem with SARs, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

(ii) Option Exercise Price. The Option Exercise Price shall be equal to or greater than the Fair Market Value on the date the Option is granted, unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company.

(iii) Term. The term of Options shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant; provided, however, that Awards covering up to five (5) million shares of Common Stock may be issued with a term of up to fifteen (15) years.

(iv) ISO Limits. ISOs may only be granted to employees of PepsiCo, its divisions and subsidiaries and may only be granted to an employee who, at the time the Option is granted, does not own

stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of PepsiCo. The aggregate Fair Market Value of all shares with respect to which ISOs are exercisable by a Participant for the first time during any year shall not exceed \$100,000. The aggregate Fair Market Value of such shares shall be determined at the time the Option is granted.

(v) No Repricing. Except for adjustments made pursuant to Section 10, the Option Exercise Price for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may any outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower Option Exercise Price without the approval of PepsiCo's shareholders.

(vi) Buy Out of Option Gains. At any time after any Option becomes exercisable, the Committee shall have the right to elect, in its sole discretion and without the consent of the holder thereof, to cancel such Option and to cause PepsiCo to pay to the Participant the excess of the Fair Market Value of the shares of Common Stock covered by such Option over the Option Exercise Price of such Option at the date the Committee provides written notice (the "Buy Out Notice") of its intention to exercise such right. Buy outs pursuant to this provision shall be effected by PepsiCo as promptly as possible after the date of the Buy Out Notice. Payments of buy out amounts shall be made in shares of Common Stock. The number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of Common Stock at the date of the Buy Out Notice, and by rounding up any fractional share to a whole share. The rights provided by this provision are the exclusive rights that are available with respect to any Option in the event of a buy out, notwithstanding the terms of any outstanding agreement.

(b) Stock Appreciation Rights.

(i) Grants. Subject to the terms and provisions of this Plan, SARs may be granted to Eligible Participants. SARs may be granted alone or in tandem with Options. With respect to SARs granted in tandem with Options, the exercise of either such Options or such SARs will result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

(ii) Purchase Price. The purchase price per share of Common Stock covered by a SAR granted pursuant to this Plan shall be equal to or greater than Fair Market Value on the date the SAR is granted, unless the SAR was granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who became employees of the Company as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company.

(iii) Term. The term of a SAR shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant; provided, however, that Awards covering up to five (5) million shares of Common Stock may be issued with a term of up to fifteen (15) years.

(iv) Form of Payment. The Committee may authorize payment of a SAR in the form of cash, Common Stock valued at its Fair Market Value on the date of the exercise, a combination thereof, or by any other method as the Committee may determine.

(c) Restricted Shares / Restricted Share Units.

(i) Grants. Subject to the terms and provisions of the Plan, Restricted Shares or Restricted Share Units may be granted to Eligible Participants.

(ii) Restrictions. The Committee shall impose such terms, conditions and/or restrictions on any Restricted Shares or Restricted Share Units granted pursuant to the Plan as it may deem advisable including, without limitation: a requirement that Participants pay a stipulated purchase price for each Restricted Share or each Restricted Share Unit; restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual); time-based restrictions on vesting; and/or restrictions under applicable Federal or state securities laws. Unless otherwise determined by the Committee at the time of grant, any time-based restriction period shall be for a minimum of three years. To the extent the Restricted Shares or Restricted Share Units are intended to be deductible under Code Section 162(m), the applicable restrictions shall be based on the achievement of Performance Goals over a Performance Period, as described in Section 7(d) below.

(iii) Payment of Units. Restricted Share Units that become payable in accordance with their terms and conditions shall be settled in cash, shares of Common Stock, or a combination of cash and shares, as determined by the Committee.

(iv) No Disposition During Restriction Period. During the Restriction Period, Restricted Shares may not be sold, assigned, transferred or otherwise disposed of, or mortgaged, pledged or otherwise encumbered. In order to enforce the limitations imposed upon the Restricted Shares, the Committee may (a) cause a legend or legends to be placed on any certificates relating to such Restricted Shares, and/or (b) issue "stop transfer" instructions, as it deems necessary or appropriate.

(v) Dividend and Voting Rights. Unless otherwise determined by the Committee, during the Restriction Period, Participants who hold Restricted Shares and Restricted Share Units shall have the right to receive dividends in cash or other property or other distribution or rights in respect of such shares, and Participants who hold Restricted Shares shall have the right to vote such shares as the record owner thereof. Unless otherwise determined by the Committee, any dividends payable to a Participant during the Restriction Period shall be distributed to the Participant only if and when the restrictions imposed on the applicable Restricted Shares or Restricted Share Units lapse.

(vi) Ownership of Restricted Shares. Restricted Shares shall be registered in the name of the Participant subject to the applicable restrictions. At the end of the Restriction Period, the number of shares to which the Participant is then entitled shall be delivered to the Participant free and clear of the restrictions, either in certificated or uncertificated form. No shares shall be registered in the name of the Participant with respect to a Restricted Share Unit unless and until such unit is paid in shares of Common Stock.

(d) Performance Awards.

(i) Grants. Subject to the provisions of the Plan, Performance Awards consisting of Performance Shares or Performance Units may be granted to Eligible Participants. Performance Awards may be granted either alone or in addition to other Awards made under the Plan.

(ii) Performance Goals. Unless otherwise determined by the Committee, Performance Awards shall be conditioned on the achievement of Performance Goals (which shall be based on one or more Performance Measures, as determined by the Committee) over a Performance Period. The Performance Period shall be one year, unless otherwise determined by the Committee.

(iii) Performance Measures. The Performance Measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit of the Company in which the Participant is employed, and may consist of one or more or any combination of the following criteria: stock price, market share, sales revenue, cash flow, sales volume, earnings per share, return on equity, return on assets, return on sales, return on invested capital, economic value added, net earnings, total shareholder return, gross margin, and/or costs. The Performance Goals based on these Performance Measures may be made relative to the performance of other corporations.

(iv) Negative Discretion. Notwithstanding the achievement of any Performance Goal established under this Plan, the Committee has the discretion, by Participant, to reduce some or all of a Performance Award that would otherwise be paid.

(v) Extraordinary Events. At, or at any time after, the time an Award is granted, and to the extent permitted under Code Section 162(m) and the regulations thereunder without adversely affecting the treatment of the Award under the Performance Based Exception, the Committee may provide for the manner in which performance will be measured against the Performance Goals (or may adjust the Performance Goals) to reflect the impact of specific corporate transactions, accounting or tax law changes and other extraordinary and nonrecurring events.

(vi) Interpretation. With respect to any Award that is intended to satisfy the conditions for the Performance Based Exception under Code Section 162(m): (A) the Committee shall interpret the Plan and this Section 7 in light of Code Section 162(m) and the regulations thereunder; (B) the Committee shall have no discretion to amend the Award in any way that would adversely affect the treatment of the Award under Code Section 162(m) and the regulations thereunder; and (C) such Award shall not be paid until the Committee shall first have certified that the Performance Goals have been achieved.

(e) Common Stock Awards.

(i) Grants. Subject to the provisions of the Plan, Common Stock Awards consisting of vested shares of Common Stock may be granted to Eligible Participants other than employees and officers. Common Stock Awards may be granted either alone or in addition to other Awards made under the Plan.

(ii) Ownership of Shares. Shares of Common Stock granted under Section 7(e)(i) shall be registered in the name of the Participant free and clear of restrictions.

8. Awards to Non-Employee Directors.

(a) Awards. Non-Employee Directors are eligible to receive any and all types of Awards under this Plan other than ISOs.

(b) Initial Grants. Each newly appointed Non-Employee Director shall, as soon as practicable after initially becoming a member of the Board, be granted: (i) 1,000 shares of Common Stock; (ii) an Annual Grant (as defined below), which for a Non-Employee Director elected after October 1 shall be pro-rated to reflect his or her date of election to the Board; and (iii) a Retainer Award, which for a Non-Employee Director elected after October 1 shall be pro-rated to reflect his or her date of election to the Board.

(c) Annual Grants. Each Non-Employee Director shall receive the following on October 1 (or on such other date as is determined by the Committee) of each year:

(i) An Award (the "Annual Grant") consisting of (A) vested shares of Common Stock (subject to the transfer restrictions in Section 8(e)(iii) below), the number of which shall be determined by dividing \$50,000 by the Fair Market Value on the grant date, and (B) Options, the number of which shall be determined by multiplying the number of shares of Common Stock awarded under Section 8(c)(i)(A) hereof by four.

(ii) A retainer fee of \$120,000 for each Non-Employee Director who is the chairman of a committee of the Board or who is the presiding director (if any) and \$100,000 for each other Non-Employee Director (the "Retainer Award"). Each Non-Employee Director may elect to receive the Retainer Award in the form of (A) cash or (B) deferred stock units.

(d) Death, Total Disability and Retirement. In the event of the death, Total Disability or Retirement of a Non-Employee Director prior to the granting of an Annual Grant and Retainer Award in respect of the fiscal year in which such event occurred, an Annual Grant and Retainer Award may, in the discretion of the Committee, be granted in respect of such fiscal year to the retired or disabled Non-

Employee Director or his or her estate. If any Non-Employee Director ceases to be a member of the Board for any reason other than death, Total Disability or Retirement, his or her rights to any Award to be granted in respect of the fiscal year during which such cessation occurred will terminate unless the Committee determines otherwise.

(e) Terms of Awards Granted to Non-Employee Directors.

(i) Each Option granted to a Non-Employee Director shall have an Option Exercise Price equal to the Fair Market Value on the grant date.

(ii) Each Option granted to a Non-Employee Director prior to October 1, 2003 shall be fully vested and exercisable on the grant date. Subject to subparagraph (iv) below, each Option granted to a Non-Employee Director on or after October 1, 2003 shall vest (and become exercisable) on the third anniversary of the grant date. Each Option granted to a Non-Employee Director shall have a term of ten years.

(iii) Subject to subparagraph (iv) below, each Restricted Share Unit granted to a Non-Employee Director on or after October 1, 2003 and before October 1, 2006 shall vest on the third anniversary of the grant date. Shares of Common Stock granted to a Non-Employee Director on or after October 1, 2006 shall be immediately vested at grant. However, a Non-Employee Director may not transfer beneficial ownership or sell such shares prior to when the Non-Employee Director terminates membership on the Board (except that this transfer restriction shall not prohibit: (A) PepsiCo's retaining shares to satisfy required tax withholding under Section 12(e)(ii), and (B) intra-family transfers permitted by the Committee).

(iv) In the event a Non-Employee Director terminates membership on the Board prior to the vesting date of an Award, then (A) if such termination is the result of such Non-Employee Director's death, Total Disability or Retirement, such Award shall immediately vest and, in the case of Options, be exercisable, and (B) if such termination is the result of an event other than death, Total Disability or Retirement, such unvested Award shall immediately terminate and expire.

(v) No Options granted to a Non-Employee Director may be exercised after he or she ceases to be a member of the Board, except that: (A) if such cessation occurs by reason of death, the Options then held by the Non-Employee Director may be exercised by his or her designated beneficiary (or, if none, his or her legal representative) until the expiration of such Options in accordance with the terms hereof; (B) if such cessation occurs by reason of the Non-Employee Director incurring a Total Disability, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with the terms hereof; and (C) if such cessation occurs by reason of the Non-Employee Director's Retirement, the Options then held by the Non-Employee Director may be exercised by him or her until the expiration of such Options in accordance with the terms hereof.

(f) Exercise of Options Granted to Non-Employee Directors.

(i) To exercise an Option, a Non-Employee Director must provide to PepsiCo (A) a written notice specifying the number of Options to be exercised and (B) to the extent applicable, any required payments due upon exercise.

(ii) Non-Employee Directors may exercise Options under either of the following methods:

(A) Cashless Exercise. Non-Employee Directors may exercise Options through a registered broker-dealer pursuant to cashless exercise procedures that are, from time to time, approved by the Committee. Proceeds from any such exercise shall be used to pay the exercise costs, which include the Option Exercise Price, applicable taxes, brokerage commissions and SEC fees. Any remaining proceeds from the sale shall be delivered to the Non-Employee Director in cash or stock, as specified by the Non-Employee Director.

(B) Standard Exercise. Non-Employee Directors may exercise Options by paying to PepsiCo an amount in cash from his or her own funds equal to the Option Exercise Price and any taxes required at exercise. A Non-Employee director shall become the owner of the shares of Common Stock subject to an Option only after the Option Exercise Price and the applicable taxes have been paid.

9. Deferred Payments.

Subject to the terms of this Plan, the Committee may determine that all or a portion of any Award to a Participant, whether it is to be paid in cash, shares of Common Stock or a combination thereof, shall be deferred or may, in its sole discretion, approve deferral elections made by Participants. Deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion.

10. Dilution and Other Adjustments.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, combination or exchange of shares or other change in corporate structure affecting any class of Common Stock, the Committee may, but shall not be required to, make such adjustments in the class and aggregate number of shares which may be delivered under this Plan as described in Section 5, the individual award maximums under Section 6, the class, number, and Option Exercise Price of outstanding Options and the class and number of shares subject to any other Awards granted under this Plan (provided the number of shares of any class subject to any Award shall always be a whole number), as may be determined to be appropriate by the Committee, and any such adjustment may, in the sole discretion of the Committee, take the form of Options covering more than one class of Common Stock. Such adjustment shall be conclusive and binding for all purposes of the Plan.

11. Change in Control.

Upon a Change in Control, the following shall occur:

(a) Options. Effective on the date of such Change in Control, all outstanding and unvested Options granted under the Plan shall immediately vest and become exercisable, and all Options then outstanding under the Plan shall remain outstanding in accordance with their terms. Notwithstanding anything to the contrary in this Plan, in the event that any Option granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such Option is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such Option is terminated or adversely modified; or (iii) Common Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such Option shall immediately be entitled to receive equity (e.g., common stock) of the “Acquiring Entity” (as defined below) with a fair market value (taking into account any marketability limitations) equal to (A) the gain on such Option or (B) only if greater than the gain and only with respect to NQSOs the Black-Scholes value of such Option (as determined by a nationally recognized independent investment banker chosen by PepsiCo), in either case calculated on the date such Option becomes unexercisable. For purposes of the preceding sentence, the gain on an Option shall be calculated as the difference between the closing price per share of Common Stock as of the date such Option becomes unexercisable less the Option Exercise Price.

(b) Stock Appreciation Rights. Effective on the date of such Change in Control, all outstanding and unvested SARs granted under the Plan shall immediately vest and become exercisable, and all SARs then outstanding under the Plan shall remain outstanding in accordance with their terms. In the event that any SAR granted under the Plan becomes unexercisable during its term on or after a Change in Control because: (i) the individual who holds such SAR is involuntarily terminated (other than for cause) within two (2) years after the Change in Control; (ii) such SAR is terminated or adversely modified; or (iii) Common Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then the holder of such SAR shall immediately be entitled to receive equity (e.g., common stock) of the Acquiring Entity with a fair market value (taking into account any marketability limitations) equal to the gain on such SAR. For purposes of the preceding sentence, the gain on a SAR shall be calculated as the difference

between the closing price per share of Common Stock as of the date such SAR becomes unexercisable and the purchase price per share of Common Stock covered by the SAR.

(c) Restricted Shares/Restricted Share Units. Upon a Change of Control all Restricted Shares and Restricted Share Units shall immediately vest and be distributed to Participants, effective as of the date of the Change of Control.

(d) Performance Awards. Each Performance Award granted under the Plan that is outstanding on the date of the Change in Control shall immediately vest and the holder of such Performance Award shall be entitled to a lump sum cash payment equal to the amount of such Performance Award payable at the end of the Performance Period as if 100% of the Performance Goals have been achieved.

(e) Timing of Payment. Any amount required to be paid pursuant to this Section 11 shall be paid as soon as practical after the date such amount becomes payable.

(f) Definition. "Change in Control" means the occurrence of any of the following events: (i) acquisition of 20% or more of the outstanding voting securities of PepsiCo, Inc. by another entity or group; excluding, however, the following (A) any acquisition by PepsiCo, Inc., or (B) any acquisition by an employee benefit plan or related trust sponsored or maintained by PepsiCo, Inc.; (ii) during any consecutive two-year period, persons who constitute the Board of Directors of PepsiCo, Inc. (the "Board") at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period); (iii) PepsiCo, Inc. shareholders approve a merger or consolidation of PepsiCo, Inc. with another company, and PepsiCo, Inc. is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of PepsiCo, Inc.; (iv) PepsiCo, Inc. shareholders approve a plan of complete liquidation of PepsiCo, Inc. or the sale or disposition of all or substantially all of PepsiCo, Inc.'s assets; or (v) any other event, circumstance, offer or proposal occurs or is made, which is intended to effect a change in the control of PepsiCo, Inc., and which results in the occurrence of one or more of the events set forth in clauses (i) through (iv) of this paragraph. For purposes of the Plan, the group or entity that triggers a Change in Control under clause (i), that is directly or indirectly responsible for the change in the Board under clause (ii), that survives the merger or consolidation referred to in clause (iii), or that acquires the assets under clause (iv) is referred to as the "Acquiring Entity."

(g) Exclusive Rights. The rights provided by this Section are the exclusive rights that are available with respect to any Award in the event of a Change in Control.

12. Miscellaneous Provisions.

(a) Misconduct. Except as otherwise provided in agreements covering Awards hereunder, a Participant shall forfeit all rights in his or her outstanding Awards under the Plan, and all such outstanding Awards shall automatically terminate and lapse, if the Committee determines that such Participant has (i) used for profit or disclosed to unauthorized persons, confidential information or trade secrets of the Company, (ii) breached any contract with or violated any fiduciary obligation to the Company, including without limitation, a violation of any Company code of conduct, (iii) engaged in unlawful trading in the securities of PepsiCo or of another company based on information gained as a result of that Participant's employment or other relationship with the Company, or (iv) committed a felony or other serious crime.

(b) Rights as Shareholder. Except as otherwise provided herein, a Participant shall have no rights as a holder of Common Stock with respect to Awards hereunder, unless and until the shares have been registered to the Participant as the owner.

(c) No Loans. No loans from the Company to Participants shall be permitted under this Plan.

(d) Assignment or Transfer. Unless the Committee shall specifically determine otherwise, or except as otherwise provided under the Plan, no Award under the Plan or any rights or interests therein shall be transferable other than by will or the laws of descent and distribution and shall be exercisable, during the

Participant's lifetime, only by the Participant. Once awarded, the shares of Common Stock received by Participants may be freely transferred, assigned, pledged or otherwise subjected to lien, subject to: (i) the transfer restrictions for Non-Employee Directors in Section 8(e)(iii) above; and (ii) the restrictions imposed by the Securities Act of 1933, Section 16 of the Securities Exchange Act of 1934 and PepsiCo's Insider Trading Policy, each as amended from time to time.

(e) Withholding Taxes.

(i) Eligible Participants. PepsiCo shall have the right to deduct from all Awards paid in cash to an Eligible Participant any taxes required by law to be withheld with respect to such Awards. All legally required withholding taxes arising with respect to Awards paid in Common Stock to a an Eligible Participant shall be satisfied by PepsiCo retaining shares of Common Stock having a Fair Market Value on the date the tax is to be determined that is equal to the amount of such required withholding (rounded, if necessary, to the next highest whole number of shares of Common Stock). Such withholding shall also apply in connection with Option exercises, except to the extent that the Eligible Participant provides for satisfying it through cash proceeds from the exercise transaction.

(ii) Non-Employee Directors. Federal income tax withholding at 25% (or such higher rate as may be legally required) and all other tax withholding that is legally required with respect to Awards to a Non-Employee Director of vested shares of Common Stock shall be satisfied by PepsiCo retaining shares of Common Stock having a Fair Market Value, on the date such Common Stock is taxable to the Non-Employee Director, that is equal to the amount of such withholding (rounded, if necessary, to the next highest whole number of shares of PepsiCo Common Stock).

(f) No Rights to Awards. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of PepsiCo or any of its subsidiaries, divisions or affiliates. Except as set forth herein, no employee or other person shall have any claim or right to be granted an Award under the Plan. By accepting an Award, the Participant acknowledges and agrees (i) that the Award will be exclusively governed by the terms of the Plan, including the right reserved by the Company to amend or cancel the Plan at any time without the Company incurring liability to the Participant (except for Awards already granted under the Plan), (ii) that Awards are not a constituent part of salary and that the Participant is not entitled, under the terms and conditions of employment, or by accepting or being granted Awards under this Plan to require Awards to be granted to him or her in the future under this Plan or any other plan, (iii) that the value of Awards received under the Plan will be excluded from the calculation of termination indemnities or other severance payments, and (iv) that the Participant will seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of Options and stock and the exercise of Options, including, without limitation, currency and exchange laws, rules and regulations. The obligations of PepsiCo to make delivery of Awards in cash or Common Stock shall be subject to currency or other restrictions imposed by any government.

(g) Beneficiary Designation. To the extent allowed by the Committee, each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named on a contingent or successive basis) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Unless the Committee determines otherwise, each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

(h) Costs and Expenses. The cost and expenses of administering the Plan shall be borne by PepsiCo and not charged to any Award or to any Participant.

(i) Fractional Shares. Fractional shares of Common Stock shall not be issued or transferred under an Award, but the Committee may pay cash in lieu of a fraction or round the fraction, in its discretion.

(j) Funding of Plan. PepsiCo shall not be required to establish or fund any special or separate account or to make any other segregation of assets to assure the payment of any Award under the Plan.

(k) Indemnification. Provisions for the indemnification of officers and directors of the Company in connection with the administration of the Plan shall be as set forth in PepsiCo's Certificate of Incorporation and Bylaws as in effect from time to time.

(l) Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

13. Effective Date, Governing Law, Amendments and Termination.

(a) Effective Date. The Plan was approved by the Board on January 30, 2003 and shall become effective on the date it is approved by PepsiCo's shareholders.

(b) Amendments. The Board may at any time terminate or from time to time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any Awards granted prior to the date of such termination or amendment. Notwithstanding the foregoing, unless PepsiCo's shareholders shall have first approved the amendment, no amendment of the Plan shall be effective which would (i) increase the maximum number of shares of Common Stock which may be delivered under the Plan or to any one individual (except to the extent such amendment is made pursuant to Section 10 hereof), (ii) extend the maximum period during which Awards may be granted under the Plan, (iii) add to the types of awards that can be made under the Plan, (iv) change the Performance Measures pursuant to which Performance Awards are earned, (v) modify the requirements as to eligibility for participation in the Plan, or (vi) require shareholder approval pursuant to this Plan or applicable law to be effective. With the consent of the Participant affected, the Committee may amend outstanding agreements evidencing Awards under the Plan in a manner not inconsistent with the terms of the Plan.

(c) Governing Law. All questions pertaining to the construction, interpretation, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of North Carolina without giving effect to conflict of laws principles.

(d) Termination. No Awards shall be made under the Plan after the tenth anniversary of the date on which PepsiCo's shareholders approve the Plan.

[Year] Non-Employee Director Long-Term Incentive Award Agreement

AGREEMENT, made as of this ____ day of _____, 200_ by and between PepsiCo, Inc. ("PepsiCo"), a North Carolina corporation having its principal office at 700 Anderson Hill Road, Purchase, New York, and [Director name] ("Director" or "you").

W I T N E S S E T H:

WHEREAS, the Board of Directors (the "Board") and shareholders of PepsiCo have approved the PepsiCo, Inc. 2003 Long-Term Incentive Plan (the "Plan"), for the purposes and subject to the provisions set forth in the Plan; and

WHEREAS, pursuant to the Plan, as amended and restated, each non-employee director, including the Director, is granted a stock award and stock options as described herein on _____, 200_ (the "Grant Date"); and

WHEREAS, stock awards and options granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Board shall determine.

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to Stock Awards.

1. Grant. In consideration of your remaining a director of PepsiCo, PepsiCo hereby grants to you, on the terms and subject to the conditions set forth in Section C below, _____ shares of PepsiCo Common Stock (the "Stock Award").

2. Withholding. Federal income tax withholding at the rate required by the Plan (which as of the date of this Agreement is 25%), or such higher rate as may be legally required, and all other tax withholding that is legally required with respect to a Stock Award shall be satisfied by PepsiCo retaining shares of PepsiCo Common Stock, having a Fair Market Value on the date such shares are taxable to you, that is equal to the amount of such withholding (rounded, if necessary, to the next highest whole number of shares of PepsiCo Common Stock).

B. Terms and Conditions Applicable to Stock Options.

1. Grant. In consideration of your remaining a director of PepsiCo, PepsiCo hereby grants to you, on the terms and conditions set forth in this Section B and in Section C below, the right and option to purchase _____ shares of PepsiCo Common Stock, par value \$0.0167 per share, at \$_____ per share (the "Option Exercise Price"), which was the Fair Market Value (as defined in the Plan) of PepsiCo Common Stock on the Grant Date. The right to purchase each such share is referred to herein as an "Option." All Options granted hereunder shall be "Non-Qualified Stock Options" as defined in the Plan.

2. Exercisability. Subject to the terms and conditions set forth herein, the Options shall become fully vested on the third (3rd) anniversary of the Grant Date (the "Vesting Date") and shall be exercisable from the Vesting Date through the day immediately prior to the tenth (10th) anniversary of the Grant Date (the "Expiration Date"). Options may vest only while you are a director of PepsiCo. Once vested and exercisable, and until terminated, all or any portion of the Options may be exercised from time to time and at any time under procedures set out in the Plan or as established by the Board or its delegate from

time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of Options which may be exercised at any time.

3. Exercise Procedure. Subject to terms and conditions set forth herein, Options may be exercised by giving written notice of exercise to PepsiCo in the manner specified from time to time by PepsiCo. The aggregate Option Exercise Price for the shares being purchased, together with any amount which the Company may be required to withhold upon such exercise, must be paid in full at the time of issuance of such shares.

4. Effect of Termination, Death, Retirement and Total Disability.

(a) Termination. The Options may vest and become exercisable only while you are a director of PepsiCo. Thus, vesting ceases upon the termination of your directorship with PepsiCo. Subject to subparagraph (b) of this paragraph 4, all unvested Options shall automatically be forfeited and canceled upon the date that your directorship with PepsiCo terminates.

(b) Death, Retirement or Total Disability. If your directorship terminates prior to the Vesting Date, by reason of your death, Retirement (as defined in the Plan) or Total Disability (as defined in the Plan), then the Options shall fully vest on your last day of directorship with PepsiCo and shall be exercisable by your legal representative (or any person to whom the Options may be transferred by will or the applicable laws of descent and distribution), in the event of your death, or by you, in the event of your Retirement or Total Disability, prior to the Expiration Date in accordance with this Agreement.

5. Buy-Out of Option Gains. At any time after any Option becomes exercisable, the Board shall have the right, in its sole discretion and without your consent, to cancel such Option and pay you the difference between the Option Exercise Price and the Fair Market Value of the shares covered by the Option as of the date the Board gives written notice (the "Buy-Out Notice") of its intention to exercise such right. Payments of such buy out amounts pursuant to this provision shall be effected by PepsiCo as promptly as possible after the date of the Buy-Out Notice and shall be made in shares of PepsiCo Common Stock. The number of shares shall be determined by dividing the amount of the payment to be made by the Fair Market Value of a share of PepsiCo Common Stock at the date of the Buy-Out Notice. In no event shall PepsiCo be required to deliver a fractional share of PepsiCo Common Stock in satisfaction of a buy out hereunder. Payments of any such buy out amounts shall be made net of any required tax withholding, in accordance with procedures specified in the Buy-Out Notice.

6. Adjustment for Change in PepsiCo Common Stock. In the event of any change in the outstanding shares of PepsiCo Common Stock by reason of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination or exchange of shares, spin-off or other similar corporate change, the number and type of shares to which the Options held by you relate and the Option Exercise Price at which you may purchase such shares may be adjusted appropriately.

7. Effect of Change in Control. At the date of a Change in Control (as defined in the Plan) all outstanding and unvested Options granted hereunder shall immediately vest and become exercisable and shall remain outstanding in accordance with their terms. In the event that any Option granted hereunder becomes unexercisable during its term on or after a Change in Control because: (i) you are removed from the Board (other than for cause) within two years after the Change in Control; (ii) such Option is terminated or adversely modified; or (iii) PepsiCo Common Stock is no longer issued and outstanding, or no longer traded on a national securities exchange, then you shall immediately be entitled to receive equity (*e.g.*, common stock) of the "Acquiring Entity" (as defined by the Plan) with a fair market value (taking into account any marketability limitations) equal to the greater of (x) the gain on such Option or (y) the Black-Scholes value of such Option (as determined by a nationally recognized independent investment banker chosen by PepsiCo), in either case calculated on the date such Option becomes unexercisable. For

purposes of the preceding sentence, the gain on an Option shall be calculated as the difference between the closing price per share of PepsiCo Common Stock as of the date such Option becomes unexercisable and the Option Exercise Price.

8. No Rights. You shall have no rights as a holder of PepsiCo Common Stock with respect to the Options granted hereunder unless and until such Options are exercised and the shares have been registered in your name as owner.

C. Terms and Conditions Applicable to Stock Awards and Stock Options.

1. Misconduct. You shall not (i) use for profit or disclose to unauthorized persons, confidential information or trade secrets of PepsiCo; (ii) breach any contract with or violate any fiduciary obligation to PepsiCo including, without limitation, a violation of PepsiCo's Worldwide Code of Conduct; (iii) engage in unlawful trading in the securities of PepsiCo or of another company based on information gained as a result of your position with PepsiCo; or (iv) commit a felony or other serious crime. In the event PepsiCo determines that you have breached any term of this paragraph 1, in addition to any other remedies PepsiCo may have available to it, PepsiCo may in its sole discretion:

(a) With respect to a Stock Award granted hereunder, require you to pay to PepsiCo the Fair Market Value (as of the Grant Date) of the Stock Award; provided, that the Board determines that you have breached a term of this paragraph 1 during the twelve-month period following the Grant Date of the Stock Award.

(b) With respect to Options granted hereunder, (i) cancel any unvested or unexercised Options, in which event you forfeit all rights to any such canceled Options; and (ii) require you to pay to PepsiCo all gains realized from the exercise of any Options granted hereunder, which have been exercised within the twelve-month period immediately preceding the date as of which you breached a provision of this paragraph 1, as determined by the Board.

2. Nontransferability.

(a) Until such date as you cease to be a member of the Board, you shall not transfer beneficial ownership or sell the shares of PepsiCo Common Stock that are granted by any Stock Award. However, the restriction on transfer in this subparagraph shall not apply with respect to: (i) shares retained by PepsiCo to satisfy required tax withholding under paragraph 2 of Section A; and (ii) any transfer of beneficial ownership of such shares to your spouse, child(ren) and/or grandchild(ren), a trust for the benefit of such family member(s) or a partnership of which the only partners are such family member(s).

(b) Unless the Board specifically determines otherwise, Options granted hereunder are personal to you during your lifetime and shall not be transferable or assignable (other than in the case of your death, by will or the laws of descent or distribution).

3. Registration, Listing and Qualification of Shares. The Board may require that you make such representations and agreements and furnish such information as the Board deems appropriate to assure compliance with or exemption from the requirements of any securities exchange, any foreign, federal, state or local law, any governmental regulatory body, or any other applicable legal requirement, and PepsiCo Common Stock shall not be issued unless and until you make such representations and agreements and furnish such information as the Board deems appropriate.

4. Amendment; Waiver. The terms and conditions of this Agreement may be amended by the Board, provided, however, that (i) no such amendment shall be adverse to you (except as necessary to comply with applicable law); and (ii) the amendments must be permitted under the Plan. The failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not waive any right, power or remedy which the Board or PepsiCo has under this Agreement.

5. Notices. Any notice to be given to PepsiCo in connection with this Agreement shall be addressed to PepsiCo at Purchase, New York 10577, Attention: Vice President, Compensation, or such other address as PepsiCo may hereafter designate to you. Any such notice shall be deemed to have been duly given when personally delivered, addressed as aforesaid, or when enclosed in a properly sealed envelope or wrapper, addressed as aforesaid, and deposited, postage prepaid, with the federal postal service.

6. Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to PepsiCo, whether by merger, consolidation, restructuring or the sale of all or substantially all of PepsiCo's assets. PepsiCo will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PepsiCo expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PepsiCo would be required to perform if no such succession had taken place.

(b) This Agreement shall be binding upon and inure to the benefit of you and your legal representative or any person to whom the Stock Award or the Options may be transferred in accordance with the terms of this Agreement.

7. Plan Controls. The Stock Award and Options and the terms and conditions set forth herein are subject in all respects to the terms and conditions of the Plan and any guidelines, policies or regulations which govern administration of the Plan, which shall be controlling. The Board reserves its rights to amend or terminate the Plan at any time without your consent; provided, however, that a Stock Award or Options outstanding under the Plan at the time of such action shall not be adversely affected thereby (except as necessary to comply with applicable law). All interpretations or determinations of the Board or its delegate shall be final, binding and conclusive upon you (and your legal representatives or any recipient of a transfer of the Stock Award or Options permitted by this Agreement) on any question arising hereunder or under the Plan or other guidelines, policies or regulations which govern administration of the Plan.

8. Severability or Reform by Court. In the event that any provision of this Agreement is deemed by a court to be broader than permitted by applicable law, then such provision shall be reformed (or otherwise revised or narrowed) so that it is enforceable to the fullest extent permitted by applicable law. If any provision of this Agreement shall be declared by a court to be invalid or unenforceable to any extent, the validity or enforceability of the remaining provisions of this Agreement shall not be affected.

9. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to conflict of laws principles.

10. Entire Agreement. This Agreement constitutes the entire understanding between the parties of this Agreement.

Please indicate your understanding and acceptance of the foregoing by signing and returning a copy of this Agreement.

PEPSICO, INC.

By:

[Name / Title]

ATTEST:

[Name / Title] Date

I confirm my understanding of the foregoing and accept the Stock Award and Options described herein subject to the terms and conditions described herein.

[Name] Date

PEPSICO, INC. AND SUBSIDIARIES
 Computation of Ratio of Earnings to Fixed Charges
 (in millions except ratio amounts, unaudited)

	36 Weeks Ended	
	<u>9/9/06</u>	<u>9/3/05</u>
Earnings:		
Income before income taxes	\$ 5,349	\$ 4,840
Unconsolidated affiliates interests, net	(272)	(272)
Amortization of capitalized interest	4	6
Interest expense	172	161
Interest portion of rent expense ^(a)	<u>56</u>	<u>60</u>
Earnings available for fixed charges	<u>\$ 5,309</u>	<u>\$ 4,795</u>
Fixed Charges:		
Interest expense	\$ 172	\$ 161
Capitalized interest	11	3
Interest portion of rent expense ^(a)	<u>56</u>	<u>60</u>
Total fixed charges	<u>\$ 239</u>	<u>\$ 224</u>
Ratio of Earnings to Fixed Charges ^(b)	<u>22.23</u>	<u>21.43</u>

^(a) One-third of net rent expense is the portion deemed representative of the interest factor.

^(b) Based on unrounded amounts.

Accountant's Acknowledgement

To the Board of Directors of PepsiCo, Inc.

We hereby acknowledge our awareness of the use of our report dated October 12, 2006 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and thirty-six weeks ended September 9, 2006, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number**Form S-3**

- PepsiCo SharePower Stock Option Plan for PCDC Employees, 33-42121
- \$32,500,000, Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds, 33-53232
- Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc., 33-50685
- \$4,587,000,000 Debt Securities and Warrants, 33-64243
- \$500,000,000 Capital Stock, 1 2/3 cents par value, 333-56302
- Automatic Shelf Registration Statement, 333-133735

Form S-4

- 330,000,000 Shares of Common Stock, 1 2/3 cents par value and 840,582 Shares of Convertible Stock, no par value, 333-53436

Form S-8

- 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 & 333-109513
- Director Stock Plan, 33-22970 & 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 & 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 & 33-60965
- PepsiCo 401(K) Plan, 333-89265
- PepsiCo Puerto Rico 1165(e) Plan, 333-56524
- 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

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

New York, New York
October 12, 2006

CERTIFICATION

I, **Indra K. Nooyi**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: October 12, 2006

/S/ INDRA K. NOOYI

Indra K. Nooyi

Chief Executive Officer

CERTIFICATION

I, **Richard Goodman**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for PepsiCo and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to PepsiCo, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of PepsiCo's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect PepsiCo's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in PepsiCo's internal control over financial reporting.

Date: October 12, 2006

/S/ RICHARD GOODMAN

Richard Goodman
Chief Financial Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 9, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, 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: October 12, 2006

/S/ INDRA K. NOOYI
Indra K. Nooyi
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 9, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Goodman, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 12, 2006

/S/ RICHARD GOODMAN

Richard Goodman
Chief Financial Officer