

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 March 24, 2018 (12 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 19, 2018 was 1,417,848,788.

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PART I FINANCIAL INFORMATION
ITEM 1. Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Income

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts, unaudited)

	12 Weeks Ended	
	3/24/2018	3/25/2017
Net Revenue	\$ 12,562	\$ 12,049
Cost of sales	5,655	5,290
Gross profit	6,907	6,759
Selling, general and administrative expenses	5,100	4,896
Operating Profit	1,807	1,863
Other pension and retiree medical benefits income	75	70
Interest expense	(294)	(252)
Interest income and other	69	40
Income before income taxes	1,657	1,721
Provision for income taxes	304	392
Net income	1,353	1,329
Less: Net income attributable to noncontrolling interests	10	11
Net Income Attributable to PepsiCo	\$ 1,343	\$ 1,318
Net Income Attributable to PepsiCo per Common Share		
Basic	\$ 0.94	\$ 0.92
Diluted	\$ 0.94	\$ 0.91
Weighted-average common shares outstanding		
Basic	1,420	1,428
Diluted	1,430	1,440
Cash dividends declared per common share	\$ 0.805	\$ 0.7525

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

PepsiCo, Inc. and Subsidiaries

(in millions, unaudited)

	12 Weeks Ended	
	3/24/2018	3/25/2017
Net income	\$ 1,353	\$ 1,329
Other comprehensive income, net of taxes:		
Net currency translation adjustment	290	516
Net change on cash flow hedges	28	(27)
Net pension and retiree medical adjustments	24	9
Net change on available-for-sale securities	(2)	4
	<u>340</u>	<u>502</u>
Comprehensive income	1,693	1,831
Comprehensive income attributable to noncontrolling interests	(10)	(10)
Comprehensive Income Attributable to PepsiCo	<u>\$ 1,683</u>	<u>\$ 1,821</u>

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries
(in millions, unaudited)

	12 Weeks Ended	
	3/24/2018	3/25/2017
Operating Activities		
Net income	\$ 1,353	\$ 1,329
Depreciation and amortization	496	477
Share-based compensation expense	80	72
Restructuring and impairment charges	12	27
Cash payments for restructuring charges	(39)	(7)
Pension and retiree medical plan expenses	46	44
Pension and retiree medical plan contributions	(1,521)	(79)
Deferred income taxes and other tax charges and credits	50	129
Change in assets and liabilities:		
Accounts and notes receivable	(162)	(128)
Inventories	(383)	(513)
Prepaid expenses and other current assets	(347)	(299)
Accounts payable and other current liabilities	(1,050)	(1,386)
Income taxes payable	178	172
Other, net	(22)	(31)
Net Cash Used for Operating Activities	(1,309)	(193)
Investing Activities		
Capital spending	(352)	(317)
Sales of property, plant and equipment	9	12
Acquisitions and investments in noncontrolled affiliates	(36)	(36)
Divestitures	42	41
Short-term investments, by original maturity:		
More than three months - purchases	(3,416)	(3,436)
More than three months - maturities	4,609	3,866
More than three months - sales	533	138
Three months or less, net	7	—
Other investing, net	—	1
Net Cash Provided by Investing Activities	1,396	269
Financing Activities		
Payments of long-term debt	—	(752)
Short-term borrowings, by original maturity:		
More than three months - proceeds	—	28
More than three months - payments	(1)	—
Three months or less, net	4,291	2,396
Cash dividends paid	(1,160)	(1,098)
Share repurchases - common	(493)	(444)
Share repurchases - preferred	(2)	(1)
Proceeds from exercises of stock options	125	245
Withholding tax payments on restricted stock units (RSUs), performance stock units (PSUs) and PepsiCo equity performance units (PEPunits) converted	(76)	(116)
Other financing	(2)	(1)
Net Cash Provided by Financing Activities	2,682	257
Effect of exchange rate changes on cash and cash equivalents and restricted cash	49	43
Net Increase in Cash and Cash Equivalents and Restricted Cash	2,818	376
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	10,657	9,169
Cash and Cash Equivalents and Restricted Cash, End of Period	\$ 13,475	\$ 9,545

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

(in millions except per share amounts)

	(Unaudited)	
	3/24/2018	12/30/2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,443	\$ 10,610
Short-term investments	7,167	8,900
Accounts and notes receivable, less allowance: 3/18 - \$141 and 12/17 - \$129	7,171	7,024
Inventories:		
Raw materials and packaging	1,406	1,344
Work-in-process	200	167
Finished goods	1,729	1,436
	3,335	2,947
Prepaid expenses and other current assets	1,931	1,546
Total Current Assets	33,047	31,027
Property, plant and equipment	39,383	39,106
Accumulated depreciation	(22,242)	(21,866)
	17,141	17,240
Amortizable Intangible Assets, net	1,252	1,268
Goodwill	14,795	14,744
Other nonamortizable intangible assets	12,591	12,570
Nonamortizable Intangible Assets	27,386	27,314
Investments in Noncontrolled Affiliates	2,115	2,042
Other Assets	946	913
Total Assets	\$ 81,887	\$ 79,804
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	\$ 11,600	\$ 5,485
Accounts payable and other current liabilities	14,285	15,017
Total Current Liabilities	25,885	20,502
Long-Term Debt Obligations	31,931	33,796
Other Liabilities	9,855	11,283
Deferred Income Taxes	3,231	3,242
Total Liabilities	70,902	68,823
Commitments and contingencies		
Preferred Stock, no par value	—	41
Repurchased Preferred Stock	—	(197)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 ² / ₃ ¢ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,419 and 1,420 shares, respectively)	24	24
Capital in excess of par value	3,866	3,996
Retained earnings	52,726	52,839
Accumulated other comprehensive loss	(12,717)	(13,057)
Repurchased common stock, in excess of par value (448 and 446 shares, respectively)	(33,016)	(32,757)
Total PepsiCo Common Shareholders' Equity	10,883	11,045
Noncontrolling interests	102	92
Total Equity	10,985	10,981
Total Liabilities and Equity	\$ 81,887	\$ 79,804

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

(in millions, unaudited)

	12 Weeks Ended			
	3/24/2018		3/25/2017	
	Shares	Amount	Shares	Amount
Preferred Stock				
Balance, beginning of year	0.8	\$ 41	0.8	\$ 41
Conversion to common stock	(0.1)	(6)	—	—
Retirement of preferred stock	(0.7)	(35)	—	—
Balance, end of period	—	—	0.8	41
Repurchased Preferred Stock				
Balance, beginning of year	(0.7)	(197)	(0.7)	(192)
Redemptions	—	(2)	—	(2)
Retirement of preferred stock	0.7	199	—	—
Balance, end of period	—	—	(0.7)	(194)
Common Stock				
Balance, beginning of year	1,420	24	1,428	24
Shares issued in connection with preferred stock conversion to common stock	1	—	—	—
Change in repurchased common stock	(2)	—	2	—
Balance, end of period	1,419	24	1,430	24
Capital in Excess of Par Value				
Balance, beginning of year		3,996		4,091
Share-based compensation expense		83		73
Equity issued in connection with preferred stock conversion to common stock		6		—
Stock option exercises, RSUs, PSUs and PEPunits converted		(142)		(191)
Withholding tax on RSUs, PSUs and PEPunits converted		(76)		(116)
Other		(1)		—
Balance, end of period		3,866		3,857
Retained Earnings				
Balance, beginning of year		52,839		52,518
Cumulative effect of accounting change		(145)		—
Net income attributable to PepsiCo		1,343		1,318
Cash dividends declared – common		(1,147)		(1,080)
Retirement of preferred stock		(164)		—
Balance, end of period		52,726		52,756
Accumulated Other Comprehensive Loss				
Balance, beginning of year		(13,057)		(13,919)
Other comprehensive income attributable to PepsiCo		340		503
Balance, end of period		(12,717)		(13,416)
Repurchased Common Stock				
Balance, beginning of year	(446)	(32,757)	(438)	(31,468)
Share repurchases	(5)	(521)	(4)	(477)
Stock option exercises, RSUs, PSUs and PEPunits converted	3	261	6	446
Other	—	1	—	—
Balance, end of period	(448)	(33,016)	(436)	(31,499)
Total PepsiCo Common Shareholders' Equity				
		10,883		11,722
Noncontrolling Interests				
Balance, beginning of year		92		104
Net income attributable to noncontrolling interests		10		11
Currency translation adjustment		—		(1)
Balance, end of period		102		114
Total Equity				
		\$ 10,985		\$ 11,683

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation and Our Divisions

Basis of Presentation

When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its consolidated subsidiaries, collectively.

Our Condensed Consolidated Balance Sheet as of March 24, 2018, Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the 12 weeks ended March 24, 2018 and March 25, 2017 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 30, 2017 (2017 Form 10-K), as modified to reflect the adoption during the 12 weeks ended March 24, 2018 of those recently issued accounting pronouncements disclosed in Note 2 in this Form 10-Q. This report should be read in conjunction with our 2017 Form 10-K. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 weeks ended March 24, 2018 are not necessarily indicative of the results expected for any future period or the full year.

While our financial results in the United States and Canada (North America) are reported on a 12-week basis, most of our international operations report on a monthly calendar basis for which the months of January and February are reflected in our first quarter results.

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 in proportion to revenue or volume, as applicable, 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 materials handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product, including merchandising activities, are included in selling, general and administrative expenses.

The following information is unaudited. Unless otherwise noted, tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior year’s financial statements to conform to the current year presentation, including the adoption during the 12 weeks ended March 24, 2018 of those recently issued accounting pronouncements disclosed in Note 2.

Our Divisions

We are organized into six reportable segments (also referred to as divisions), as follows:

- 1) Frito-Lay North America (FLNA), which includes our branded food and snack businesses in the United States and Canada;
- 2) Quaker Foods North America (QFNA), which includes our cereal, rice, pasta and other branded food businesses in the United States and Canada;
- 3) North America Beverages (NAB), which includes our beverage businesses in the United States and Canada;
- 4) Latin America, which includes all of our beverage, food and snack businesses in Latin America;
- 5) Europe Sub-Saharan Africa (ESSA), which includes all of our beverage, food and snack businesses in Europe and Sub-Saharan Africa; and

- 6) Asia, Middle East and North Africa (AMENA), which includes all of our beverage, food and snack businesses in Asia, Middle East and North Africa.

Net revenue and operating profit of each division are as follows:

	12 Weeks Ended			
	Net Revenue		Operating Profit	
	3/24/2018^(a)	3/25/2017	3/24/2018	3/25/2017^(b)
FLNA	\$ 3,617	\$ 3,499	\$ 1,050	\$ 1,050
QFNA	601	598	155	163
NAB	4,415	4,460	388	501
Latin America	1,224	1,077	189	133
ESSA	1,668	1,445	118	96
AMENA	1,037	970	187	171
Total division	\$ 12,562	\$ 12,049	\$ 2,087	\$ 2,114
Corporate unallocated	—	—	(280)	(251)
	\$ 12,562	\$ 12,049	\$ 1,807	\$ 1,863

(a) Our primary performance obligation is our distribution and sales of beverage products and food and snack products to our customers, each comprising approximately 50% of our consolidated net revenue. Internationally, our Latin America segment is predominantly a food and snack business, ESSA's beverage business and food and snack business are each approximately 50% of the total segment net revenue and AMENA's beverage business and food and snack business are approximately 35% and 65%, respectively, of the total segment net revenue. Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our NAB and ESSA segments, is approximately 40% of our consolidated net revenue. Generally, our finished goods beverage operations produce higher net revenue but lower operating margins as compared to concentrate sold to authorized bottling partners for the manufacture of finished goods beverages.

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 for additional information.

Note 2 - Recently Issued Accounting Pronouncements

Adopted

In 2017, the Financial Accounting Standards Board (FASB) issued guidance to retrospectively present the service cost component of net periodic benefit cost for pension and retiree medical plans along with other compensation costs in operating profit and present the other components of net periodic benefit cost separately below operating profit in the income statement. The guidance also allows only the service cost component of net periodic benefit cost to be eligible for capitalization within inventory or fixed assets on a prospective basis. We adopted the provisions of this guidance retrospectively in the first quarter of 2018, using historical information previously disclosed in our pension and retiree medical benefits footnote as the estimation basis. We also updated our allocation of service costs to our divisions to better approximate actual service cost. The impact from retrospective adoption of this guidance resulted in an increase to cost of sales and selling, general and administrative expenses of \$4 million and \$66 million, respectively, and a corresponding increase to other pension and retiree medical benefits income below operating profit of \$70 million for the 12 weeks ended March 25, 2017.

The following table shows the (decreases)/increases to operating profit for each division and to corporate unallocated for the 12 weeks ended March 25, 2017:

FLNA	\$	(10)
QFNA		(1)
NAB		(4)
Latin America		1
ESSA		(6)
AMENA		—
Corporate unallocated ^(a)		(50)
Total	\$	(70)

(a) Includes restructuring charges of \$1 million.

For the years ended December 30, 2017 and December 31, 2016, implementation of this guidance resulted in a decrease in operating profit of \$233 million and an increase in operating profit of \$19 million, respectively, primarily impacting selling, general and administrative expenses. The changes described above had no impact on our consolidated net revenue, net income or earnings per share. See Note 7 to our consolidated financial statements in our 2017 Form 10-K and Note 7 in this Form 10-Q for further information on our service cost and other components of net periodic benefit cost for pension and retiree medical plans.

In 2016, the FASB issued guidance to clarify how restricted cash should be presented in the cash flow statement. We adopted the provisions of this guidance retrospectively during the first quarter of 2018; the adoption did not have a material impact on our financial statements and primarily relates to collateral posted against our derivative asset or liability positions. See Note 9 and Note 13 for further information.

In 2016, the FASB issued guidance that requires companies to account for the income tax effects of intercompany transfers of assets, other than inventory, when the transfer occurs versus deferring income tax effects until the transferred asset is sold to an outside party or otherwise recognized. We adopted the provisions of this guidance during the first quarter of 2018; the adoption did not have a material impact on our financial statements and we recorded an adjustment of \$8 million to beginning retained earnings.

In 2016, the FASB issued guidance that requires companies to measure investments in certain equity securities at fair value and recognize any changes in fair value in net income. We adopted the provisions of this guidance during the first quarter of 2018; the adoption did not have an impact on our financial statements. See Note 9 to our consolidated financial statements in our 2017 Form 10-K for further information on our investments in equity securities.

In 2014, the FASB issued guidance on revenue recognition, with final amendments issued in 2016. The guidance provides for a five-step model to determine the revenue recognized for the transfer of goods or services to customers that reflects the expected entitled consideration in exchange for those goods or services. It also provides clarification for principal versus agent considerations and identifying performance obligations. In addition, the FASB introduced practical expedients related to disclosures of remaining performance obligations, as well as other amendments related to guidance on collectibility, non-cash consideration and the presentation of sales and other similar taxes. Financial statement disclosures required under the guidance will enable users to understand the nature, amount, timing, judgments and uncertainty of revenue and cash flows relating to customer contracts. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption (cumulative effect approach). We adopted the guidance applied to all contracts using

the cumulative effect approach during the first quarter of 2018; the adoption did not have a material impact on our financial statements.

We utilized a comprehensive approach to assess the impact of the guidance on our contract portfolio by reviewing our current accounting policies and practices to identify potential differences that would result from applying the new requirements to our revenue contracts, including evaluation of our performance obligations, principal versus agent considerations and variable consideration. We completed our contract and business process reviews and implemented changes to our controls to support recognition and disclosures under the new guidance. We recognize revenue when our performance obligation is satisfied. Our primary performance obligation (the distribution and sales of beverage products and food and snack products) is satisfied upon shipment or delivery to our customers based on written sales terms, which is also when control is transferred.

As a result of implementing certain changes, which did not have a material impact to our accounting policies upon adoption, in the first quarter of 2018, we recorded an adjustment of \$137 million to beginning retained earnings to reflect marketplace spending that our customers and independent bottlers expect to be entitled to in line with revenue recognition. In addition, we excluded from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions that were not already excluded. The impact of these taxes previously recognized in net revenue and cost of sales was \$23 million for the 12 weeks ended March 25, 2017 and approximately \$75 million for the fiscal year ended December 30, 2017, with no impact to operating profit. Shipping and handling activities, including certain merchandising activities, that are performed after a customer obtains control of the product are recorded as fulfillment costs in selling, general and administrative expenses. See Note 2 to our consolidated financial statements in our 2017 Form 10-K for further information on our significant accounting policies related to revenue recognition and total marketplace spending.

Not Yet Adopted

In 2018, the FASB issued guidance related to the Tax Cuts and Jobs Act (TCJ Act) for the optional reclassification of the residual tax effects, arising from the change in corporate tax rate, in accumulated other comprehensive loss to retained earnings. The reclassification is the difference between the amount previously recorded in other comprehensive income at the historical U.S. federal tax rate that remains in accumulated other comprehensive loss at the time the TCJ Act was effective, and the amount that would have been recorded using the newly enacted rate. If elected, the guidance can be applied retrospectively to each period during which the impact of the TCJ Act is recognized or in the period of adoption. The guidance is effective in 2019 with early adoption permitted. We are currently evaluating the impact and adoption of this guidance.

In 2017, the FASB issued guidance to amend and simplify the application of hedge accounting guidance to better portray the economic results of risk management activities in the financial statements. The guidance expands the ability to hedge nonfinancial and financial risk components, reduces complexity in fair value hedges of interest rate risk, eliminates the requirement to separately measure and report hedge ineffectiveness, as well as eases certain hedge effectiveness assessment requirements. The guidance is effective beginning in 2019 with early adoption permitted. We are currently evaluating the impact of this guidance, including transition elections and required disclosures, on our financial statements and the timing of adoption.

In 2016, the FASB issued guidance that requires lessees to recognize most leases on the balance sheet, but record expenses on the income statement in a manner similar to current accounting. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is effective beginning in 2019 with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and related disclosures, including the increase in the assets and liabilities on our balance sheet and the impact on our current lease portfolio from both a lessor and lessee perspective.

To facilitate this, we are utilizing a comprehensive approach to review our lease portfolio, as well as assessing system requirements and control implications. We have identified our significant leases by geography and by asset type that will be impacted by the new guidance, as well as a software tool to begin tracking the requirements of the guidance. In addition, we are currently evaluating the timing of adoption of this guidance. See Note 13 to our consolidated financial statements in our 2017 Form 10-K for our minimum lease payments under non-cancelable operating leases.

Note 3 - Restructuring and Impairment Charges

We publicly announced a multi-year productivity plan on February 13, 2014 (2014 Productivity Plan) that includes the next generation of productivity initiatives that we believe will strengthen our beverage, food and snack businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency. To build on the 2014 Productivity Plan, in the fourth quarter of 2017, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives described above to further strengthen our beverage, food and snack businesses.

In the 12 weeks ended March 24, 2018, we incurred restructuring charges of \$12 million (\$11 million after-tax or \$0.01 per share) in conjunction with our 2014 Productivity Plan. In the 12 weeks ended March 25, 2017, we incurred pre- and after-tax restructuring charges of \$27 million (\$0.02 per share). These net charges were recorded in selling, general and administrative expenses and other pension and retiree medical benefits income and primarily relate to severance and other employee-related costs, asset impairments (all non-cash) and other costs associated with the implementation of our initiatives, including contract termination costs. Substantially all of the restructuring accrual at March 24, 2018 is expected to be paid by the end of 2018.

A summary of our 2014 Productivity Plan charges is as follows:

	12 Weeks Ended									
	3/24/2018					3/25/2017				
	Severance and Other Employee Costs ^(a)	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs ^(a)	Asset Impairments	Other Costs	Total		
FLNA	\$ 1	\$ 3	\$ 1	\$ 5	\$ 1	\$ —	\$ —	\$ 1		
QFNA	1	—	—	1	—	—	—	—		
NAB	1	1	1	3	—	—	2	2		
Latin America	7	—	2	9	12	11	1	24		
ESSA	4	—	—	4	4	—	—	4		
AMENA ^(b)	2	—	—	2	—	—	(6)	(6)		
Corporate ^(c)	(13)	—	1	(12)	1	—	1	2		
	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 12</u>	<u>\$ 18</u>	<u>\$ 11</u>	<u>\$ (2)</u>	<u>\$ 27</u>		

(a) Includes charges related to other pension and retiree medical benefits of \$4 million and \$1 million for the 12 weeks ended March 24, 2018 and March 25, 2017, respectively.

(b) Income amount primarily reflects a gain on the sale of property, plant and equipment.

(c) Income amount represents adjustments for changes in estimates of previously recorded amounts.

Since the inception of the 2014 Productivity Plan, we incurred restructuring charges of \$1,046 million:

	2014 Productivity Plan Costs to Date			
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
FLNA	\$ 132	\$ 12	\$ 24	\$ 168
QFNA	27	—	6	33
NAB	150	70	84	304
Latin America	116	29	16	161
ESSA	131	41	59	231
AMENA	25	6	15	46
Corporate	49	—	54	103
	\$ 630	\$ 158	\$ 258	\$ 1,046

A summary of our 2014 Productivity Plan activity for the 12 weeks ended March 24, 2018 is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 30, 2017	\$ 212	\$ —	\$ 14	\$ 226
2018 restructuring charges	3	4	5	12
Cash payments	(28)	—	(11)	(39)
Non-cash charges and translation	(6)	(4)	—	(10)
Liability as of March 24, 2018	\$ 181	\$ —	\$ 8	\$ 189

There were no material charges related to other productivity and efficiency initiatives outside the scope of the 2014 Productivity Plan.

We regularly evaluate different productivity initiatives beyond the 2014 Productivity Plan discussed above.

See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 4 - Intangible Assets

A summary of our amortizable intangible assets is as follows:

	3/24/2018			12/30/2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Acquired franchise rights	\$ 852	\$ (131)	\$ 721	\$ 858	\$ (128)	\$ 730
Reacquired franchise rights	106	(104)	2	106	(104)	2
Brands	1,327	(1,035)	292	1,322	(1,026)	296
Other identifiable intangibles	525	(288)	237	521	(281)	240
	\$ 2,810	\$ (1,558)	\$ 1,252	\$ 2,807	\$ (1,539)	\$ 1,268

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

	Balance 12/30/2017	Translation and Other	Balance 3/24/2018
FLNA			
Goodwill	\$ 280	\$ (4)	\$ 276
Brands	25	(1)	24
	<u>305</u>	<u>(5)</u>	<u>300</u>
QFNA			
Goodwill	175	—	175
NAB			
Goodwill	9,854	(16)	9,838
Reacquired franchise rights	7,126	(27)	7,099
Acquired franchise rights	1,525	(6)	1,519
Brands	353	—	353
	<u>18,858</u>	<u>(49)</u>	<u>18,809</u>
Latin America			
Goodwill	555	9	564
Brands	141	3	144
	<u>696</u>	<u>12</u>	<u>708</u>
ESSA			
Goodwill	3,452	60	3,512
Reacquired franchise rights	549	11	560
Acquired franchise rights	195	(23)	172
Brands	2,545	63	2,608
	<u>6,741</u>	<u>111</u>	<u>6,852</u>
AMENA			
Goodwill	428	2	430
Brands	111	1	112
	<u>539</u>	<u>3</u>	<u>542</u>
Total goodwill	14,744	51	14,795
Total reacquired franchise rights	7,675	(16)	7,659
Total acquired franchise rights	1,720	(29)	1,691
Total brands	3,175	66	3,241
	<u>\$ 27,314</u>	<u>\$ 72</u>	<u>\$ 27,386</u>

Note 5 - Income Taxes

A reconciliation of unrecognized tax benefits is as follows:

	3/24/2018	12/30/2017
Balance, beginning of year	\$ 2,212	\$ 1,885
Additions for tax positions related to the current year	52	309
Additions for tax positions from prior years	5	86
Reductions for tax positions from prior years	—	(51)
Settlement payments	—	(4)
Statutes of limitations expiration	(14)	(33)
Translation and other	16	20
Balance, end of period	<u>\$ 2,271</u>	<u>\$ 2,212</u>

Tax Cuts and Jobs Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional net tax expense of \$2.5 billion in the fourth quarter of 2017. See Note 5 to our consolidated financial statements in our 2017 Form 10-K for further information on this provisional net tax expense.

During the first quarter of 2018, we recorded an additional provisional transition tax expense of \$1 million, reflecting the impact of actions taken by states within the United States that adopted the TCJ Act. Additionally, during the second quarter of 2018, the Internal Revenue Service (IRS) issued new transition tax guidance. As a result of this guidance, we expect to record additional provisional transition tax expense in the second quarter of 2018 of approximately \$700-\$800 million.

The TCJ Act also created a new requirement that certain income earned by foreign subsidiaries, known as global intangible low-tax income (GILTI), must be included in the gross income of their U.S. shareholder. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current-period expense when incurred. During the first quarter of 2018, we elected to treat the tax effect of GILTI as a current-period expense when incurred.

The components of the provisional net tax expense recorded in 2017 and the first quarter of 2018 were based on currently available information and additional information needs to be prepared, obtained and/or analyzed to determine the final amounts. The provisional tax expense for the mandatory repatriation of undistributed international earnings will require further analysis of certain foreign exchange gains or losses, substantiation of foreign tax credits, as well as estimated cash and cash equivalents as of November 30, 2018, the tax year-end of our foreign subsidiaries. The provisional tax benefit for the remeasurement of deferred taxes will require additional information necessary for the preparation of our U.S. federal tax return, and further analysis and interpretation of certain provisions of the TCJ Act impacting deferred taxes, for example 100% expensing of qualified assets, could impact our deferred tax balance as of December 30, 2017.

Tax effects for these items will be recorded in subsequent quarters, as discrete adjustments to our income tax provision, once complete. We elected to adopt the SEC issued guidance that allows for a measurement period, not to exceed one year after the enactment date of the TCJ Act, to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments by the end of 2018.

The recorded impact of the TCJ Act is provisional and the final amount may differ, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in IRS interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act.

For further unaudited information and discussion of the potential impact of the TCJ Act, refer to “Item 1A. Risk Factors” and Note 5 to our consolidated financial statements in our 2017 Form 10-K and “Our Critical Accounting Policies,” “Our Business Risks” and “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

Note 6 - Share-Based Compensation

The following table summarizes our total share-based compensation expense:

	12 Weeks Ended	
	3/24/2018	3/25/2017
Share-based compensation expense - equity awards	\$ 80	\$ 72
Share-based compensation expense - liability awards	6	4
Restructuring and impairment charges	3	1
Total	\$ 89	\$ 77

The following table summarizes share-based awards granted under the terms of the PepsiCo, Inc. Long-Term Incentive Plan:

	12 Weeks Ended			
	3/24/2018		3/25/2017	
	Granted^(a)	Weighted-Average Grant Price	Granted^(a)	Weighted-Average Grant Price
Stock options	1.2	\$ 108.75	1.3	\$ 109.75
RSUs and PSUs	2.5	\$ 108.77	2.7	\$ 109.75

(a) In millions. All grant activity is disclosed at target.

We granted long-term cash awards to certain executive officers and other senior executives with an aggregate target value of \$21 million and \$19 million during the 12 weeks ended March 24, 2018 and March 25, 2017, respectively.

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

	12 Weeks Ended	
	3/24/2018	3/25/2017
Expected life	5 years	5 years
Risk-free interest rate	2.6%	2.0%
Expected volatility	12%	11%
Expected dividend yield	2.7%	2.7%

Note 7 - 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	
	3/24/2018	3/25/2017	3/24/2018	3/25/2017	3/24/2018	3/25/2017
	U.S.		International			
Service cost	\$ 100	\$ 93	\$ 18	\$ 16	\$ 7	\$ 6
Interest cost	111	108	17	15	8	9
Expected return on plan assets	(218)	(196)	(36)	(30)	(4)	(5)
Amortization of prior service cost/(credits)	1	—	—	—	(5)	(6)
Amortization of net losses/(gains)	41	28	8	9	(2)	(3)
	35	33	7	10	4	1
Special termination benefits	3	1	1	—	—	—
Total	\$ 38	\$ 34	\$ 8	\$ 10	\$ 4	\$ 1

We regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans. During the first quarter of 2018, we made discretionary contributions of \$1.4 billion to the PepsiCo Employees Retirement Plan A (Plan A) in the United States and \$17 million to our international plans. There were no discretionary contributions made in the first quarter of 2017.

Note 8 - Debt Obligations

In the 12 weeks ended March 24, 2018, there were no maturities or prepayments of senior notes.

As of March 24, 2018, we had \$5.1 billion of commercial paper outstanding.

Note 9 - Financial Instruments

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

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

There have been no material changes during the 12 weeks ended March 24, 2018 with respect to our risk management policies or strategies and valuation techniques used in measuring the fair value of the financial assets or liabilities disclosed in Note 9 to our consolidated financial statements in our 2017 Form 10-K.

The notional amounts of our financial instruments used to hedge the above risks as of March 24, 2018 and December 30, 2017 are as follows:

	Notional Amounts ^(a)	
	3/24/2018	12/30/2017
Commodity	\$ 0.9	\$ 0.9
Foreign exchange	\$ 1.7	\$ 1.6
Interest rate	\$ 14.2	\$ 14.2
Net investment	\$ 1.5	\$ 1.5

(a) In billions.

Ineffectiveness for all derivatives and non-derivatives that qualify for hedge accounting treatment was not material for all periods presented.

As of March 24, 2018, approximately 48% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 43% as of December 30, 2017.

Fair Value Measurements

The fair values of our financial assets and liabilities as of March 24, 2018 and December 30, 2017 are categorized as follows:

	Fair Value Hierarchy Levels ^(a)	3/24/2018		12/30/2017	
		Assets ^(a)	Liabilities ^(a)	Assets ^(a)	Liabilities ^(a)
Available-for-sale debt securities ^(b)	2	\$ 15,223	\$ —	\$ 14,510	\$ —
Short-term investments ^(c)	1	\$ 216	\$ —	\$ 228	\$ —
Prepaid forward contracts ^(d)	2	\$ 21	\$ —	\$ 27	\$ —
Deferred compensation ^(e)	2	\$ —	\$ 485	\$ —	\$ 503
Derivatives designated as fair value hedging instruments:					
Interest rate ^(f)	2	\$ 6	\$ 223	\$ 24	\$ 130
Derivatives designated as cash flow hedging instruments:					
Foreign exchange ^(g)	2	\$ 13	\$ 27	\$ 15	\$ 31
Interest rate ^(g)	2	—	117	—	213
Commodity ^(h)	1	—	—	—	2
Commodity ⁽ⁱ⁾	2	2	—	2	—
		\$ 15	\$ 144	\$ 17	\$ 246
Derivatives not designated as hedging instruments:					
Foreign exchange ^(g)	2	\$ —	\$ —	\$ 10	\$ 3
Commodity ^(h)	1	3	7	—	19
Commodity ⁽ⁱ⁾	2	52	25	85	12
		\$ 55	\$ 32	\$ 95	\$ 34
Total derivatives at fair value ⁽ⁱ⁾		\$ 76	\$ 399	\$ 136	\$ 410
Total		\$ 15,536	\$ 884	\$ 14,901	\$ 913

(a) Unless otherwise noted, financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities.

(b) Based on quoted broker prices or other significant inputs derived from or corroborated by observable market data. As of March 24, 2018, \$8.2 billion and \$7.0 billion of debt securities were classified as cash equivalents and short-term investments, respectively. As of December 30, 2017, \$5.8 billion and \$8.7 billion of debt securities were classified as cash equivalents and short-term investments, respectively. Unrealized gains and losses on our investments in debt securities as of March 24, 2018 and December 30, 2017 were not material. All of our available-for-sale debt securities have maturities of one year or less.

(c) Based on the price of index funds. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.

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

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

(f) Based on LIBOR forward rates.

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

(h) Based on quoted contract prices on futures exchange markets.

(i) Based on recently reported market transactions of swap arrangements.

(j) Unless otherwise noted, derivative assets and liabilities are presented on a gross basis on our balance sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on the balance sheet as of March 24, 2018 and December 30, 2017 were not material. Collateral received or posted against our asset or liability positions was not material. Collateral posted is classified as restricted cash. See Note 13 for further information.

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to their short-term maturity. The fair value of our debt obligations as of March 24, 2018 and December 30, 2017 was \$44 billion and \$41 billion, respectively, based upon prices of similar instruments in the marketplace, which are considered Level 2 inputs.

Losses/(gains) on our hedging instruments are categorized as follows:

	12 Weeks Ended					
	Fair Value/Non-designated Hedges		Cash Flow and Net Investment Hedges			
	Losses/(Gains) Recognized in Income Statement ^(a)		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement ^(b)	
					3/24/2018	3/25/2017
Foreign exchange	\$ (12)	\$ (5)	\$ 5	\$ 20	\$ 6	\$ (5)
Interest rate	111	22	(96)	(19)	(62)	(30)
Commodity	19	3	(2)	2	1	2
Net investment	—	—	9	18	—	—
Total	\$ 118	\$ 20	\$ (84)	\$ 21	\$ (55)	\$ (33)

(a) Foreign exchange derivative losses/gains are primarily included in selling, general and administrative expenses. Interest rate derivative losses/gains are primarily from fair value hedges and are included in interest expense. These losses/gains are substantially offset by decreases/increases in the value of the underlying debt, which are also included in interest expense. Commodity derivative losses/gains are included in either cost of sales or selling, general and administrative expenses, depending on the underlying commodity.

(b) Foreign exchange derivative losses/gains are included in cost of sales. Interest rate derivative losses/gains are included in interest expense. Commodity derivative losses/gains are included in either cost of sales or selling, general and administrative expenses, depending on the underlying commodity.

Based on current market conditions, we expect to reclassify net losses of \$28 million related to our cash flow hedges from accumulated other comprehensive loss into net income during the next 12 months.

See further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 10 - Net Income Attributable to PepsiCo per Common Share

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

	12 Weeks Ended			
	3/24/2018		3/25/2017	
	Income	Shares ^(a)	Income	Shares ^(a)
Net income attributable to PepsiCo	\$ 1,343		\$ 1,318	
Preferred shares:				
Redemption premium	(2)		(2)	
Net income available for PepsiCo common shareholders	\$ 1,341	1,420	\$ 1,316	1,428
Basic net income attributable to PepsiCo per common share	\$ 0.94		\$ 0.92	
Net income available for PepsiCo common shareholders	\$ 1,341	1,420	\$ 1,316	1,428
Dilutive securities:				
Stock options, RSUs, PSUs, PEPunits and Other	—	10	—	11
Employee stock ownership plan (ESOP) convertible preferred stock	2	—	2	1
Diluted	\$ 1,343	1,430	\$ 1,318	1,440
Diluted net income attributable to PepsiCo per common share	\$ 0.94		\$ 0.91	

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

Out-of-the-money options excluded from the calculation of diluted earnings per common share are as follows:

	12 Weeks Ended	
	3/24/2018	3/25/2017
Out-of-the-money options ^(a)	0.1	1.4
Average exercise price per option	\$ 115.75	\$ 109.69

(a) In millions.

Note 11 - Preferred Stock

On January 26, 2018, all of the outstanding shares of our convertible preferred stock were converted into an aggregate of 550,102 shares of our common stock at the conversion ratio set forth in Exhibit A to our amended and restated articles of incorporation. As a result, there were no shares of our convertible preferred stock outstanding as of January 26, 2018, and our convertible preferred stock is retired for accounting purposes.

Activities associated with our preferred stock are included in the equity statement.

Note 12 - Accumulated Other Comprehensive Loss Attributable to PepsiCo

The changes in the balances of each component of accumulated other comprehensive loss attributable to PepsiCo are as follows:

	12 Weeks Ended					
	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Available-For-Sale Securities	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 30, 2017 ^(a)	\$ (10,277)	\$ 47	\$ (2,804)	\$ (4)	\$ (19)	\$ (13,057)
Other comprehensive (loss)/income before reclassifications ^(b)	288	93	(13)	(2)	—	366
Amounts reclassified from accumulated other comprehensive loss	—	(55)	43	—	—	(12)
Net current year other comprehensive (loss)/income	288	38	30	(2)	—	354
Tax amounts	2	(10)	(6)	—	—	(14)
Balance as of March 24, 2018 ^(a)	\$ (9,987)	\$ 75	\$ (2,780)	\$ (6)	\$ (19)	\$ (12,717)

(a) Pension and retiree medical amounts are net of taxes of \$1,338 million as of December 30, 2017 and \$1,332 million as of March 24, 2018.

(b) Currency translation adjustment primarily reflects the appreciation in the Russian ruble and Mexican peso.

	12 Weeks Ended					
	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Available-For-Sale Securities	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 31, 2016 ^(a)	\$ (11,386)	\$ 83	\$ (2,645)	\$ 64	\$ (35)	\$ (13,919)
Other comprehensive (loss)/income before reclassifications ^(b)	513	(3)	(14)	9	—	505
Amounts reclassified from accumulated other comprehensive loss	—	(33)	28	—	—	(5)
Net current year other comprehensive (loss)/income	513	(36)	14	9	—	500
Tax amounts	4	9	(5)	(5)	—	3
Balance as of March 25, 2017 ^(a)	\$ (10,869)	\$ 56	\$ (2,636)	\$ 68	\$ (35)	\$ (13,416)

(a) Pension and retiree medical amounts are net of taxes of \$1,280 million as of December 31, 2016 and \$1,275 million as of March 25, 2017.

(b) Currency translation adjustment primarily reflects the appreciation in the Russian ruble, Egyptian pound and Australian dollar.

The reclassifications from accumulated other comprehensive loss to the income statement are summarized as follows:

	12 Weeks Ended		Affected Line Item in the Income Statement
	3/24/2018	3/25/2017	
Cash flow hedges:			
Foreign exchange contracts	\$ 6	\$ (5)	Cost of sales
Interest rate derivatives	(62)	(30)	Interest expense
Commodity contracts	2	2	Cost of sales
Commodity contracts	(1)	—	Selling, general and administrative expenses
Net gains before tax	(55)	(33)	
Tax amounts	14	11	
Net gains after tax	\$ (41)	\$ (22)	
Pension and retiree medical items:			
Amortization of prior service credits	\$ (4)	\$ (6)	Other pension and retiree medical benefits income
			Other pension and retiree medical benefits income
Amortization of net losses	47	34	
Net losses before tax	43	28	
Tax amounts	(10)	(9)	
Net losses after tax	\$ 33	\$ 19	
Total net gains reclassified, net of tax	\$ (8)	\$ (3)	

Note 13 - Restricted Cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within our Condensed Consolidated Balance Sheet to the same items as reported in our Condensed Consolidated Statement of Cash Flows:

	3/24/2018	12/30/2017
Cash and cash equivalents	\$ 13,443	\$ 10,610
Restricted cash included in other assets	32	47
Total cash and cash equivalents and restricted cash	\$ 13,475	\$ 10,657

Restricted cash included in other assets primarily relates to collateral posted against our derivative asset or liability positions.

Note 14 - Divestitures

Refranchising in Thailand

During the second quarter of 2018, we refranchised our beverage business in Thailand by selling a controlling interest in our Thailand bottling operations. We expect to record a pre-tax gain of approximately \$145 million (\$125 million after-tax) in selling, general and administrative expenses in our AMENA segment as a result of this transaction.

Refranchising in Czech Republic, Hungary, and Slovakia (CHS)

During the first quarter of 2018, we entered into an agreement to refranchise our entire beverage bottling operations and snack distribution operations in CHS (included within our ESSA segment). The transaction is expected to be completed in 2018.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL REVIEW

Our discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our condensed consolidated financial statements and the accompanying notes. Also refer to Note 1 of our condensed consolidated financial statements. Unless otherwise noted, tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common stock per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

The critical accounting policies below should be read in conjunction with those outlined in our 2017 Form 10-K.

Revenue Recognition and Total Marketplace Spending

We recognize revenue when our performance obligation is satisfied. Our primary performance obligation (the distribution and sales of beverage products and food and snack products) is satisfied upon the shipment or delivery of products to our customers, which is also when control is transferred. The transfer of control of products to our customers is typically based on written sales terms that do not allow for a right of return.

We offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue. A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our historical experience with similar programs and require management’s judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also based on annual targets and recognized during the year as incurred.

For interim reporting, our policy is to allocate our forecasted full-year sales incentives for most of our programs to each of our interim reporting periods in the same year that benefits from the programs. The allocation methodology is based on our forecasted sales incentives for the full year and the proportion of each interim period’s actual gross revenue or volume, as applicable, to our forecasted annual gross revenue or volume, as applicable. Based on our review of the forecasts at each interim period, any changes in estimates and the related allocation of sales incentives are recognized beginning in the interim period that they are identified. In addition, we apply a similar allocation methodology for interim reporting purposes for certain advertising and other marketing activities.

See Note 1 and Note 2 to our condensed consolidated financial statements for additional information on our revenue recognition and related policies.

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. Subsequent recognition, derecognition and measurement of a tax position taken in a previous period are separately recognized in the quarter in which they occur.

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional transition tax expense of \$1 million in the first quarter of 2018, in addition to the provisional net tax expense of \$2.5 billion recognized in the fourth quarter of 2017. Additionally, during the second quarter of 2018, the IRS issued new transition tax guidance. As a result of this guidance, we expect to record additional provisional transition tax expense in the second quarter of 2018 of approximately \$700-\$800 million. See Note 5 to our condensed consolidated financial statements in this Form 10-Q and Note 5 to our consolidated financial statements in our 2017 Form 10-K for further information on our provisional net tax expense.

The recorded impact of the TCJ Act is provisional and the final amount may differ, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in IRS interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act.

Our Business Risks

This Quarterly Report on Form 10-Q (Form 10-Q) contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “position,” “potential,” “project,” “seek,” “should,” “strategy,” “target,” “will” or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo’s products, as a result of changes in consumer preferences or otherwise; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo’s products; imposition of labeling or warning requirements on PepsiCo’s products; changes in laws related to packaging and disposal of PepsiCo’s products; PepsiCo’s ability to compete effectively; political conditions, civil unrest or other developments and risks in the markets where PepsiCo’s products are made, manufactured, distributed or sold; PepsiCo’s ability to grow its business in developing and emerging markets; uncertain or unfavorable economic conditions in the countries in which PepsiCo operates; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; business disruptions; product contamination or tampering or issues or concerns with respect to product quality, safety and integrity; damage to PepsiCo’s reputation or brand image; failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo’s existing operations or to complete or manage divestitures or refranchisings; changes in estimates and underlying assumptions regarding future performance that could result in an impairment charge; increase in income tax rates, changes in income tax laws or disagreements with tax authorities; failure to realize anticipated benefits from PepsiCo’s productivity initiatives or global operating model; PepsiCo’s ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of any key customer or disruption to the retail landscape, including rapid growth in hard discounters and the e-commerce channel; any downgrade or potential downgrade of PepsiCo’s credit ratings;

PepsiCo's ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates; climate change or water scarcity, or legal, regulatory or market measures to address climate change or water scarcity; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; infringement of intellectual property rights; potential liabilities and costs from litigation, claims, legal or regulatory proceedings, inquiries or investigations; and other factors that may adversely affect the price of PepsiCo's publicly traded securities and financial performance including those described in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our 2017 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" of this Form 10-Q. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

In the 12 weeks ended March 24, 2018, our operations outside of North America reflect the months of January and February. In the 12 weeks ended March 24, 2018, our operations outside of the United States generated 36% of our net revenue, with Mexico, Canada, Russia, the United Kingdom and China comprising approximately 17% of our net revenue. As a result, we are exposed to foreign exchange risks in the international markets in which our products are made, manufactured, distributed or sold. In the 12 weeks ended March 24, 2018, favorable foreign exchange contributed 2 percentage points to net revenue growth, primarily due to appreciation in the Mexican peso, euro, Pound sterling, Canadian dollar and Russian ruble. Currency declines against the U.S. dollar which are not offset could adversely impact our future financial results.

In addition, volatile economic, political and social conditions and civil unrest in certain markets in which our products are made, manufactured, distributed or sold, including in Brazil, China, India, Mexico, the Middle East, Russia and Turkey, and currency fluctuations in certain of these international markets, continue to result in challenging operating environments. We also continue to monitor the economic and political developments related to the United Kingdom's pending withdrawal from the European Union, including how the United Kingdom will interact with other European Union countries following its departure, as well as the economic, operating and political environment in Russia and the potential impact for the ESSA segment and our other businesses.

In addition, certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased taxes on the manufacture, distribution or sale of our products, ingredients or substances contained in, or attributes of, our products or commodities used in the production of our products. These taxes vary in scope and form: some apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). Similarly, some measures apply a single tax rate per liquid ounce while others apply a graduated tax rate depending upon the amount of added sugar in the beverage and some apply a flat tax rate on beverages containing a particular substance or ingredient.

We sell a wide variety of beverages, foods and snacks in more than 200 countries and territories and the profile of the products we sell, and the amount of revenue attributable to such products, varies by jurisdiction. Because of this, we cannot predict the scope or form potential taxes or other potential limitations on our products may take, and therefore cannot predict the impact of such taxes or limitations on our financial results. In addition, taxes and limitations may impact us and our competitors differently. We continue to monitor existing and proposed taxes in the jurisdictions in which our products are made, manufactured, distributed and sold and to consider actions we may take to potentially mitigate the unfavorable impact, if

any, of such taxes or limitations, including advocating alternative measures with respect to the imposition, form and scope of any such taxes or limitations.

Additionally, our industry has been affected by disruption of the retail landscape, including the rapid growth in sales through e-commerce websites and mobile commerce applications, the integration of physical and digital operations among retailers and the international expansion of hard discounters. We continue to monitor changes in the retail landscape and to identify actions we may take to build our global e-commerce capabilities, distribute our products effectively through all existing and emerging channels of trade and potentially mitigate any unfavorable impacts on our future results.

The changes in the TCJ Act, which was enacted in 2017, are broad and complex and we continue to examine the impact the TCJ Act may have on our business and financial results. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%. The recorded impact of the TCJ Act is provisional and the final amount may differ from the estimate, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in IRS interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act. For additional information on the impact of the TCJ Act, see Note 5 to our condensed consolidated financial statements, “Our Critical Accounting Policies” and “Our Liquidity and Capital Resources” in this Form 10-Q, as well as Note 5 to our consolidated financial statements in our 2017 Form 10-K.

See Note 9 to our condensed consolidated financial statements in this Form 10-Q for the fair values of our financial instruments as of March 24, 2018 and December 30, 2017 and Note 9 to our consolidated financial statements in our 2017 Form 10-K for a discussion of these items. Cautionary statements included above and in “Item 1A. Risk Factors” and in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks,” included in our 2017 Form 10-K, should be considered when evaluating our trends and future results.

Results of Operations – Consolidated Review

Consolidated Results

Volume

Since our divisions each use different measures of physical unit volume (i.e., kilos, gallons, pounds and case sales), a common servings metric is necessary to reflect our consolidated physical unit volume. Our divisions’ physical volume measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products. For the 12 weeks ended March 24, 2018, total servings increased 1%.

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. Most of our beverage volume is sold by our Company-owned and franchise-owned bottlers, and that portion is based on our bottlers’ sales to retailers and independent distributors. The remainder of our volume is based on our direct shipments to retailers and independent distributors. We report the majority of our international beverage volume on a monthly basis. Our first quarter includes beverage volume outside of North America for the months of January and February. Concentrate shipments and equivalents (CSE) represent our physical beverage volume shipments to independent bottlers, retailers and independent distributors, and is the measure upon which our revenue is based.

Net Revenue and Operating Profit

	12 Weeks Ended		
	3/24/2018	3/25/2017	Change
Net revenue	\$ 12,562	\$ 12,049	4 %
Operating profit	\$ 1,807	\$ 1,863 ^(a)	(3)%
Operating margin	14.4%	15.5% ^(a)	(1.1)

(a) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

See “Results of Operations – Division Review” for a tabular presentation and discussion of key drivers of net revenue.

Operating profit decreased 3% and operating margin decreased 1.1 percentage points. Operating profit performance was driven by certain operating cost increases and higher commodity costs, as well as a bonus extended to certain U.S. employees in connection with the TCJ Act, which negatively impacted operating profit performance by 4.5 percentage points and operating margin by 0.7 percentage points. Commodity inflation across all divisions negatively impacted operating profit performance by 4.5 percentage points. These impacts were partially offset by planned cost reductions across a number of expense categories, net revenue growth and favorable foreign exchange translation. Corporate unallocated expenses (see Note 1 to our condensed consolidated financial statements) increased 12%, primarily due to higher foreign exchange transaction gains in the prior year and the net impact of items affecting comparability (see “Items Affecting Comparability”).

Other Consolidated Results

	12 Weeks Ended		
	3/24/2018	3/25/2017	Change
Other pension and retiree medical benefits income	\$ 75	\$ 70 ^(a)	\$ 5
Net interest expense	\$ (225)	\$ (212)	\$ (13)
Tax rate ^(b)	18.3%	22.7%	
Net income attributable to PepsiCo	\$ 1,343	\$ 1,318	2 %
Net income attributable to PepsiCo per common share – diluted	\$ 0.94	\$ 0.91	3 %
Mark-to-market net impact	0.02	0.01	
Restructuring and impairment charges	0.01	0.02	
Provisional net tax expense related to the TCJ Act ^(b)	—	—	
Net income attributable to PepsiCo per common share – diluted, excluding above items ^(c)	\$ 0.96 ^(d)	\$ 0.94	3 %
Impact of foreign exchange translation			(2)
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis ^(c)			— % ^(d)

(a) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

(b) See Note 5 to our condensed consolidated financial statements.

(c) See “Non-GAAP Measures.”

(d) Does not sum due to rounding.

Other pension and retiree medical benefits income increased \$5 million reflecting the impact of the \$1.4 billion discretionary pension contributions to Plan A in the United States, as well as the recognition of net asset gains, partially offset by higher amortization of net losses.

Net interest expense increased \$13 million, reflecting higher interest expense due to higher average debt balances and interest rates, as well as losses on the market value of investments used to economically hedge a portion of our deferred compensation liability. These impacts were partially offset by higher interest income due to higher interest rates and average cash balances.

The reported tax rate decreased 4.4 percentage points primarily as a result of the reduced U.S. corporate income tax rate related to the enactment of the TCJ Act (see Note 5 to our condensed consolidated financial statements for further information).

Net income attributable to PepsiCo increased 2% and net income attributable to PepsiCo per common share increased 3%. Items affecting comparability (see “Items Affecting Comparability”) had a nominal impact to both net income attributable to PepsiCo growth and net income attributable to PepsiCo per common share growth.

Non-GAAP Measures

Certain financial measures contained in this Form 10-Q adjust for the impact of specified items and are not in accordance with U.S. Generally Accepted Accounting Principles (GAAP). We use non-GAAP financial measures internally to make operating and strategic decisions, including the preparation of our annual operating plan, evaluation of our overall business performance and as a factor in determining compensation for certain employees. We believe presenting non-GAAP financial measures in this Form 10-Q provides additional information to facilitate comparison of our historical operating results and trends in our underlying operating results, and provides additional transparency on how we evaluate our business. We also believe presenting these measures in this Form 10-Q allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Examples of items for which we may make adjustments include: amounts related to mark-to-market gains or losses (non-cash); charges related to restructuring programs; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; gains or losses associated with mergers, acquisitions, divestitures and other structural changes; debt redemptions; pension and retiree medical related items; amounts related to the resolution of tax positions; asset impairments (non-cash); and remeasurements of net monetary assets. See below and “Items Affecting Comparability” for a description of adjustments to our U.S. GAAP financial measures in this Form 10-Q.

Non-GAAP information should be considered as supplemental in nature and is not meant to be considered in isolation or as a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, our non-GAAP financial measures may not be the same as or comparable to similar non-GAAP measures presented by other companies.

The following non-GAAP financial measures are contained in this Form 10-Q:

- cost of sales, gross profit, selling, general and administrative expenses, other pension and retiree medical benefits income and provision for income taxes, each adjusted for items affecting comparability;
- operating profit, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, and the corresponding constant currency growth rates;
- organic revenue; and
- free cash flow.

Cost of Sales, Gross Profit, Selling, General and Administrative Expenses, Other Pension and Retiree Medical Benefits Income and Provision for Income Taxes, Adjusted for Items Affecting Comparability; Operating Profit, Adjusted for Items Affecting Comparability, and Net Income Attributable to PepsiCo per Common Share – Diluted, Adjusted for Items Affecting Comparability, and the Corresponding Constant Currency Growth Rates

These measures exclude the net impact of mark-to-market gains and losses on centrally managed commodity derivatives that do not qualify for hedge accounting, restructuring and impairment charges related to our 2014 Productivity Plan and a provisional net tax expense associated with the enactment of the TCJ Act. We also evaluate performance on operating profit, adjusted for items affecting comparability, and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, on a constant currency basis, which measure our financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior-year average foreign exchange rates. We believe these measures provide useful information in evaluating the results of our business because they exclude items that we believe are not indicative of our ongoing performance.

Organic Revenue

We define organic revenue as net revenue adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes. Additionally, our fiscal 2018 reported results reflect the accounting policy election taken in conjunction with the adoption of the revenue recognition guidance to exclude from net revenue and cost of sales all sales, use, value-added and certain excise taxes assessed by governmental authorities on revenue-producing transactions not already excluded. Our 2018 fiscal year organic revenue growth will exclude the impact of approximately \$75 million of these taxes previously recognized in net revenue. See Note 2 to our condensed consolidated financial statements for additional information.

We believe organic revenue provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

See “Organic Revenue Growth” in “Results of Operations – Division Review.”

Free Cash Flow

We define free cash flow as net cash provided by operating activities less capital spending, plus sales of property, plant and equipment. 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. Free cash flow is used by us primarily for financing activities, including debt repayments, dividends and share repurchases. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt service that are not deducted from the measure.

See “Free Cash Flow” in “Our Liquidity and Capital Resources.”

Items Affecting Comparability

Our reported financial results in this Form 10-Q are impacted by the following items in each of the following periods:

	12 Weeks Ended 3/24/2018						
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes ^(a)	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 5,655	\$ 6,907	\$ 5,100	\$ 1,807	\$ 75	\$ 304	\$ 1,343
Items Affecting Comparability							
Mark-to-market net impact	(27)	27	(4)	31	—	7	24
Restructuring and impairment charges	—	—	(8)	8	4	1	11
Provisional net tax expense related to the TCJ Act	—	—	—	—	—	(1)	1
Core, Non-GAAP Measure	\$ 5,628	\$ 6,934	\$ 5,088	\$ 1,846	\$ 79	\$ 311	\$ 1,379
	12 Weeks Ended 3/25/2017 ^(b)						
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes ^(a)	Net income attributable to PepsiCo
Reported, GAAP Measure	\$ 5,290	\$ 6,759	\$ 4,896	\$ 1,863	\$ 70	\$ 392	\$ 1,318
Items Affecting Comparability							
Mark-to-market net impact	19	(19)	(33)	14	—	5	9
Restructuring and impairment charges	—	—	(26)	26	1	—	27
Core, Non-GAAP Measure	\$ 5,309	\$ 6,740	\$ 4,837	\$ 1,903	\$ 71	\$ 397	\$ 1,354

(a) Provision for income taxes is the expected tax benefit/charge on the underlying item based on the tax laws and income tax rates applicable to the underlying item in its corresponding tax jurisdiction.

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. The changes described above had no impact on the provision for income taxes or net income attributable to PepsiCo. See Note 2 to our condensed consolidated financial statements for additional information.

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Commodity derivatives that do not qualify for hedge accounting treatment are marked to market each period with the resulting gains and losses recorded in corporate unallocated expenses as either cost of sales or selling, general and administrative expenses, depending on the underlying commodity. These gains and losses are subsequently reflected in division results when the divisions recognize the cost of the underlying commodity in operating profit. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which remains in corporate unallocated expenses.

Restructuring and Impairment Charges

To build on the successful implementation of the 2014 Productivity Plan, we expanded and extended the program through the end of 2019 to take advantage of additional opportunities within the initiatives of the 2014 Productivity Plan to further strengthen our beverage, food and snack businesses. In connection with this program, we expect to incur pre-tax charges and cash expenditures of approximately \$1.3 billion and \$985 million, respectively.

The expected pre-tax charges and cash expenditures are summarized by period as follows:

	Charges	Cash Expenditures
2013	\$ 53	\$ —
2014	357	175 ^(b)
2015	169	165 ^(b)
2016	160	95
2017	295	113
First quarter 2018	12	45 ^(b)
	1,046	593
Remainder of 2018 (expected)	237	346
2019 (expected)	22	46
	\$ 1,305 ^(a)	\$ 985

(a) This total pre-tax charge is expected to consist of approximately \$795 million of severance and other employee-related costs, approximately \$170 million for asset impairments (all non-cash) resulting from plant closures and related actions, and approximately \$340 million for other costs associated with the implementation of our initiatives, including contract termination costs. This charge is expected to impact reportable segments and Corporate approximately as follows: FLNA 14%, QFNA 3%, NAB 30%, Latin America 15%, ESSA 25%, AMENA 4% and Corporate 9%.

(b) In the 12 weeks ended March 24, 2018, cash expenditures included \$6 million reported on our Condensed Consolidated Statement of Cash Flows in pension and retiree medical plan contributions. In 2015 and 2014, cash expenditures included \$2 million and \$10 million, respectively, reported on our Consolidated Statement of Cash Flows in pension and retiree medical plan contributions.

See Note 3 to our condensed consolidated financial statements for further information related to our 2014 Productivity Plan.

We regularly evaluate productivity initiatives beyond the productivity plan and other initiatives discussed above and in Note 3 to our condensed consolidated financial statements.

Provisional Net Tax Expense Related to the TCJ Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. Among its many provisions, the TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings and reduced the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment of the TCJ Act, we recognized a provisional transition tax expense of \$1 million in the first quarter of 2018, in addition to the provisional net tax expense of \$2.5 billion recognized in the fourth quarter of 2017.

See Note 5 to our condensed consolidated financial statements.

Results of Operations – Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. See “Non-GAAP Measures” and “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

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, and “net pricing” reflects the year-over-year combined impact of list price changes, weight changes per package, discounts and allowances. “Acquisitions and divestitures,” except as otherwise noted, reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees. Additionally, “sales and certain other taxes” refers to the exclusion from net revenue of prior year sales, use, value-added and certain excise taxes assessed by governmental authorities

on revenue-producing transactions as a result of the accounting policy election taken in conjunction with the adoption of revenue recognition guidance as described in Note 2 to our condensed consolidated financial statements.

Net Revenue

12 Weeks Ended	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
3/24/2018	\$ 3,617	\$ 601	\$ 4,415	\$ 1,224	\$ 1,668	\$ 1,037	\$ 12,562
3/25/2017	\$ 3,499	\$ 598	\$ 4,460	\$ 1,077	\$ 1,445	\$ 970	\$ 12,049
% Impact of:							
Volume ^(a)	1%	—%	(3)%	2%	5%	5%	1%
Effective net pricing ^(b)	2	(0.5)	1	7	1	1	2
Foreign exchange translation	—	0.5	—	4	10	4	2
Acquisitions and divestitures	—	—	—	—	—	(2)	—
Sales and certain other taxes	—	—	—	—	—	(1.5)	—
Reported Growth ^(c)	3%	—%	(1)%	14%	15%	7%	4%

(a) Excludes the impact of acquisitions, divestitures and other structural changes. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to nonconsolidated joint venture volume, and, for our beverage businesses, temporary timing differences between BCS and CSE, as well as the mix of beverage volume sold by our Company-owned and franchise-owned bottlers. Our net revenue excludes nonconsolidated joint venture volume, and, for our beverage businesses, is based on CSE.

(b) Includes the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries.

(c) Amounts may not sum due to rounding.

Organic Revenue Growth

Organic revenue is a non-GAAP financial measure. For further information on organic revenue see “Non-GAAP Measures.”

12 Weeks Ended 3/24/2018	FLNA	QFNA	NAB	Latin America	ESSA	AMENA	Total
Reported Growth	3%	—%	(1)%	14%	15%	7%	4%
% Impact of:							
Foreign exchange translation	—	(0.5)	—	(4)	(10)	(4)	(2)
Acquisitions and divestitures	—	—	—	—	—	2	—
Sales and certain other taxes	—	—	—	—	—	1.5	—
Organic Growth ^(a)	3%	—%	(2)%	9%	6%	6%	2%

(a) Amounts may not sum due to rounding.

Frito-Lay North America

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 3,617	\$ 3,499	3
Impact of foreign exchange translation			—
Organic revenue growth ^(a)			3
Operating profit	\$ 1,050	\$ 1,050 ^(b)	—
Restructuring and impairment charges	—	1	
Operating profit excluding above item ^(a)	\$ 1,050	\$ 1,051	—
Impact of foreign exchange translation			—
Operating profit growth excluding above item, on a constant currency basis ^(a)			—

(a) See “Non-GAAP Measures.”

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

Net revenue grew 3% and volume grew 2%. The net revenue growth was driven by effective net pricing and the volume growth. The volume growth reflects mid-single-digit growth in trademark Doritos, double-digit growth in our Sabra joint venture products and mid-single-digit growth in variety packs, partially offset by a low-single-digit decline in trademark Lay’s.

Operating profit was even with the prior year, reflecting certain operating cost increases, as well as a bonus extended to certain U.S. employees in connection with the TCJ Act, which negatively impacted operating profit performance by 4 percentage points. Additionally, higher commodity costs, primarily potatoes and cooking oil, negatively impacted operating profit performance by 2 percentage points. These impacts were offset by the net revenue growth and planned cost reductions across a number of expense categories.

Quaker Foods North America

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 601	\$ 598	—
Impact of foreign exchange translation			(0.5)
Organic revenue growth ^(a)			— ^(c)
Operating profit	\$ 155	\$ 163 ^(b)	(5)
Restructuring and impairment charges	—	—	
Operating profit excluding above item ^(a)	\$ 155	\$ 163	(5)
Impact of foreign exchange translation			—
Operating profit growth excluding above item, on a constant currency basis ^(a)			(5)

(a) See “Non-GAAP Measures.”

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

(c) Does not sum due to rounding.

Net revenue and volume grew slightly. The net revenue growth reflects favorable foreign exchange, which contributed 0.5 percentage points to the net revenue growth, as well as the volume growth, partially offset by unfavorable net pricing. The volume growth was driven by mid-single-digit growth in oatmeal partially offset by a double-digit decline in trademark Gamesa.

Operating profit decreased 5%, reflecting certain operating cost increases and unfavorable net pricing and mix. In addition, higher commodity costs and a bonus extended to certain U.S. employees in connection with the TCJ Act negatively impacted operating profit performance by 3 percentage points and 1 percentage point, respectively. These impacts were partially offset by planned cost reductions across a number of expense categories and lower advertising and marketing expenses.

North America Beverages

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 4,415	\$ 4,460	(1)
Impact of foreign exchange translation			—
Impact of acquisitions and divestitures			—
Impact of sales and certain other taxes ^(a)			—
Organic revenue growth ^(a)			(2) ^(c)
Operating profit	\$ 388	\$ 501 ^(b)	(23)
Restructuring and impairment charges	2	2	
Operating profit excluding above item ^(a)	\$ 390	\$ 503	(22)
Impact of foreign exchange translation			—
Operating profit growth excluding above item, on a constant currency basis ^(a)			(22)

(a) See “Non-GAAP Measures.”

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

(c) Does not sum due to rounding.

Net revenue decreased 1%, primarily reflecting a decline in volume, partially offset by effective net pricing. Acquisitions had a nominal positive contribution to the net revenue performance.

Volume decreased 2.5%, driven by a 4% decline in carbonated soft drink volume and a 1% decline in non-carbonated beverage volume. The non-carbonated beverage volume decrease primarily reflected low-single-digit declines in Gatorade sports drinks and in our juice and juice drinks portfolio, partially offset by a low-single-digit increase in our overall water portfolio. Acquisitions had a nominal positive contribution to the volume performance.

Operating profit decreased 23%, reflecting certain operating cost increases and the net revenue performance, as well as higher commodity costs which negatively impacted operating profit performance by 8 percentage points. These impacts were partially offset by planned cost reductions across a number of expense categories and lower advertising and marketing expenses. A bonus extended to certain U.S. employees in connection with the TCJ Act negatively impacted operating profit performance by 8 percentage points and were partially offset by a gain associated with a sale of an asset which positively contributed 3.5 percentage points to operating profit performance.

Latin America

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 1,224	\$ 1,077	14
Impact of foreign exchange translation			(4)
Organic revenue growth ^(a)			9 ^(c)
Operating profit	\$ 189	\$ 133 ^(b)	42
Restructuring and impairment charges	9	24	
Operating profit excluding above item ^(a)	\$ 198	\$ 157	27
Impact of foreign exchange translation			(10)
Operating profit growth excluding above item, on a constant currency basis ^(a)			17

(a) See “Non-GAAP Measures.”

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

(c) Does not sum due to rounding.

Net revenue increased 14%, reflecting effective net pricing and net volume growth. Favorable foreign exchange contributed 4 percentage points to net revenue growth.

Snacks volume grew 3%, reflecting mid-single-digit growth in Brazil and low-single-digit growth in Mexico.

Beverage volume declined 4%, reflecting a double-digit decline in Brazil and mid-single-digit declines in Mexico and Chile, partially offset by low-single-digit growth in Argentina and Guatemala.

Operating profit increased 42%, reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as insurance settlement recoveries related to the 2017 earthquake in Mexico which contributed 5 percentage points to operating profit growth. These impacts were partially offset by certain operating cost increases, higher advertising and marketing expenses, as well as higher commodity costs, which reduced operating profit growth by 10 percentage points. Restructuring and impairment charges in the above table (see “Items Affecting Comparability”) and favorable foreign exchange contributed 16 percentage points and 10 percentage points, respectively, to operating profit growth.

Europe Sub-Saharan Africa

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 1,668	\$ 1,445	15
Impact of foreign exchange translation			(10)
Impact of sales and certain other taxes ^(a)			—
Organic revenue growth ^(a)			6 ^(c)
Operating profit	\$ 118	\$ 96 ^(b)	23
Restructuring and impairment charges	4	4	
Operating profit excluding above item ^(a)	\$ 122	\$ 100	21
Impact of foreign exchange translation			(13)
Operating profit growth excluding above item, on a constant currency basis ^(a)			9 ^(c)

(a) See “Non-GAAP Measures.”

(b) Reflects the retrospective adoption of guidance requiring the presentation of non-service cost components of net periodic benefit cost below operating profit. See Note 2 to our condensed consolidated financial statements for additional information.

(c) Does not sum due to rounding.

Net revenue increased 15%, primarily reflecting favorable foreign exchange, which contributed 10 percentage points to net revenue growth, as well as volume growth.

Snacks volume grew 6%, reflecting high-single-digit growth in Russia, partially offset by low-single-digit declines in the United Kingdom and South Africa. Additionally, the Netherlands experienced low-single-digit growth and Turkey experienced mid-single-digit growth.

Beverage volume grew 6%, reflecting double-digit growth in Turkey and Germany and high-single-digit growth in the United Kingdom. Additionally, Russia and France experienced low-single-digit growth and Nigeria experienced mid-single-digit growth.

Operating profit increased 23%, reflecting the net revenue growth and planned cost reductions across a number of expense categories. These impacts were partially offset by certain operating cost increases and higher advertising and marketing expenses, as well as higher commodity costs, which reduced operating profit growth by 5 percentage points. Favorable foreign exchange contributed 13 percentage points to operating profit growth.

Asia, Middle East and North Africa

	12 Weeks Ended		% Change
	3/24/2018	3/25/2017	
Net revenue	\$ 1,037	\$ 970	7
Impact of foreign exchange translation			(4)
Impact of acquisitions and divestitures			2
Impact of sales and certain other taxes ^(a)			1.5
Organic revenue growth ^(a)			<u>6</u> ^(b)
Operating profit	\$ 187	\$ 171	10
Restructuring and impairment charges	2	(6)	
Operating profit excluding above item ^(a)	<u>\$ 189</u>	<u>\$ 165</u>	15
Impact of foreign exchange translation			(4)
Operating profit growth excluding above item, on a constant currency basis ^(a)			<u>10</u> ^(b)

(a) See "Non-GAAP Measures."

(b) Does not sum due to rounding.

Net revenue increased 7%, reflecting volume growth, partially offset by the impacts of refranchising our beverage business in Jordan and sales and certain other taxes, which reduced net revenue growth by 2 percentage points and 1.5 percentage points, respectively. Favorable foreign exchange contributed 4 percentage points to net revenue growth.

Snacks volume grew 7%, reflecting double-digit growth in China, India and Pakistan, partially offset by a mid-single-digit decline in the Middle East and a low-single-digit decline in Australia.

Beverage volume grew slightly, reflecting mid-single-digit growth in China, high-single-digit growth in Pakistan and low-single-digit growth in India, partially offset by a double-digit decline in the Philippines and a mid-single-digit decline in the Middle East.

Operating profit increased 10%, reflecting the net revenue growth and planned cost reductions across a number of expense categories. These impacts were partially offset by certain operating cost increases, as well as higher commodity costs, which reduced operating profit growth by 3 percentage points. Additionally, restructuring and impairment charges in the above table (see "Items Affecting Comparability") and the impact of refranchising our beverage business in Jordan reduced operating profit growth by 5 percentage points and

2.5 percentage points, respectively. Favorable foreign exchange contributed 4 percentage points to operating profit growth.

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing needs. Our primary sources of cash available to fund cash outflows, such as our anticipated share repurchases, dividend payments and scheduled debt maturities, include cash from operations, proceeds obtained from issuances of commercial paper and long-term debt and cash repatriated from our foreign subsidiaries. However, there can be no assurance that volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all. See “Our Business Risks” included in this Form 10-Q and “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” included in our 2017 Form 10-K.

For the year ended December 30, 2017, we had cash, cash equivalents and short-term investments in our consolidated subsidiaries of \$18.9 billion outside the United States. The TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings, including the \$18.9 billion held in our consolidated subsidiaries outside the United States as of December 30, 2017, as a result of which we recognized a provisional mandatory transition tax liability of \$1 million in the first quarter of 2018, in addition to approximately \$4 billion recognized in the fourth quarter of 2017. As a result of new guidance issued by the IRS during the second quarter of 2018, we expect to record additional provisional transition tax expense in the second quarter of 2018 of approximately \$700-\$800 million, which will further increase our provisional mandatory transition tax liability. Under the provisions of the TCJ Act, this transition tax must be paid over eight years; we currently expect to pay this liability over the period of 2019 to 2026. The recorded impact of the TCJ Act is provisional and the final amount may differ from the above estimate, possibly materially, due to, among other things, changes in estimates, interpretations and assumptions we have made, changes in IRS interpretations, the issuance of new guidance, legislative actions, changes in accounting standards or related interpretations in response to the TCJ Act and future actions by states within the United States that have not currently adopted the TCJ Act.

As of March 24, 2018, we had cash, cash equivalents and short-term investments in our consolidated subsidiaries of \$20.0 billion outside the United States. As a result of the transition tax related to the enactment of the TCJ Act, subsequent to the end of the first quarter of 2018 we repatriated \$3.3 billion of cash, cash equivalents and short-term investments held in our foreign subsidiaries without such funds being subject to further U.S. income tax liability. We are currently evaluating when to repatriate any additional funds currently held by our foreign subsidiaries and how to utilize such funds, including whether to utilize such funds or other available methods of debt financing, such as commercial paper borrowings, for our anticipated share repurchases, dividend payments, scheduled debt maturities, discretionary benefit plan contributions, capital expenditures, certain investments into our business or other uses. See “Item 1A. Risk Factors” in our 2017 Form 10-K and “Our Critical Accounting Policies,” “Our Business Risks” and “Items Affecting Comparability” and Note 5 to our condensed consolidated financial statements in this Form 10-Q.

As of March 24, 2018, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

Operating Activities

During the 12 weeks ended March 24, 2018, net cash used for operating activities was \$1.3 billion, compared to \$193 million in the prior-year period. The increased use of cash during the 12 weeks ended March 24, 2018 primarily reflects the discretionary contributions of \$1.4 billion and \$17 million that were made to our Plan A pension plan in the United States and to our international pension plans, respectively. See also Note 7 to our condensed consolidated financial statements.

Investing Activities

During the 12 weeks ended March 24, 2018, net cash provided by investing activities was \$1.4 billion, primarily reflecting net maturities and sales of debt securities with maturities greater than three months of \$1.7 billion, partially offset by net capital spending of \$0.3 billion.

We expect 2018 net capital spending to be approximately \$3.6 billion.

Financing Activities

During the 12 weeks ended March 24, 2018, net cash provided by financing activities was \$2.7 billion, primarily reflecting net proceeds from short-term borrowings of \$4.3 billion, partially offset by the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$1.7 billion.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 11, 2015, we announced a share repurchase program providing for the repurchase of up to \$12.0 billion of PepsiCo common stock commencing from July 1, 2015 and expiring on June 30, 2018. On February 13, 2018, we announced a new share repurchase program providing for the repurchase of up to \$15.0 billion of PepsiCo common stock commencing on July 1, 2018 and expiring on June 30, 2021. In addition, on February 13, 2018, we announced a 15.2% increase in our annualized dividend to \$3.71 per share from \$3.22 per share, effective with the dividend expected to be paid in June 2018. We expect to return a total of approximately \$7 billion to shareholders in 2018 through share repurchases of approximately \$2 billion and dividends of approximately \$5 billion. See Part II, “Item 2. Unregistered Sales of Equity Securities and Use of Proceeds” for a description of our share repurchase program.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. For further information on free cash flow see “Non-GAAP Measures.”

The table below reconciles net cash provided by operating activities, as reflected on our cash flow statement, to our free cash flow.

	12 Weeks Ended	
	3/24/2018	3/25/2017
Net cash used for operating activities	\$ (1,309)	\$ (193)
Capital spending	(352)	(317)
Sales of property, plant and equipment	9	12
Free cash flow ^(a)	\$ (1,652)	\$ (498)

(a) See “Non-GAAP Measures.” In addition, when evaluating free cash flow, we also consider the following items impacting comparability: \$1.4 billion in discretionary pension contributions in the 12 weeks ended March 24, 2018; \$45 million and \$7 million of payments related to restructuring charges in the 12 weeks ended March 24, 2018 and March 25, 2017, respectively; and associated net cash tax benefits related to restructuring charges of \$3 million in the 12 weeks ended March 24, 2018.

We use free cash flow primarily for financing activities, including debt repayments, dividends and share repurchases. We expect to continue to return free cash flow to our shareholders through dividends and share repurchases while maintaining Tier 1 commercial paper access, which we believe will facilitate appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. See “Our Business Risks” included in this Form 10-Q and “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks,” included in our 2017 Form 10-K, for certain factors that may impact our credit ratings or our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether or not as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See Note 8 to our condensed consolidated financial statements and “Our Business Risks” included in this Form 10-Q, as well as “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” included in our 2017 Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
PepsiCo, Inc.:

Results of Review of Interim Financial Information

We have reviewed the Condensed Consolidated Balance Sheet of PepsiCo, Inc. and subsidiaries (the Company) as of March 24, 2018, the related Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the twelve week periods ended March 24, 2018 and March 25, 2017, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it 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) (PCAOB), the Consolidated Balance Sheet of the Company as of December 30, 2017, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the year then ended (not presented herein); and in our report dated February 13, 2018, 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 30, 2017, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated 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 PCAOB, 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.

/s/ KPMG LLP

New York, New York
April 26, 2018

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks.” In addition, see “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” and Note 9 to our consolidated financial statements in our 2017 Form 10-K.

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 Securities Exchange Act of 1934, as amended (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, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during our first fiscal quarter of 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our first fiscal quarter of 2018, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting. This transition has not materially affected, and we do not expect it to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

The following information should be read in conjunction with the discussion set forth under Part I, “Item 3. Legal Proceedings” in our 2017 Form 10-K.

We and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations. While the results of such litigation, claims, legal or regulatory proceedings, inquiries and investigations cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. See also “Item 1. Business – Regulatory Matters” and “Item 1A. Risk Factors” in our 2017 Form 10-K.

ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our 2017 Form 10-K.

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

A summary of our common stock repurchases (in millions, except average price per share) during the first quarter of 2018 is set forth in the table below.

Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased^(a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs^(b)
12/30/2017				\$ 5,353
12/31/2017 - 1/27/2018	1.5	\$ 119.13	1.5	(178)
				5,175
1/28/2018 - 2/24/2018	1.1	\$ 115.65	1.1	(127)
2/13/2018				15,000
				20,048
2/25/2018 - 3/24/2018	1.9	\$ 110.49	1.9	(216)
Total	4.5	\$ 114.57	4.5	\$ 19,832

(a) All shares (other than 24 thousand shares which were repurchased pursuant to a privately negotiated block trade transaction) were repurchased in open market transactions pursuant to the \$12 billion repurchase program authorized by our Board of Directors and publicly announced on February 11, 2015, which commenced on July 1, 2015 and expires on June 30, 2018 (the 2015 share repurchase program). As of the end of the first quarter of 2018, \$4.8 billion remained available for repurchase under the 2015 share repurchase program.

(b) Includes shares authorized for repurchase under the 2015 share repurchase program and under a new repurchase program authorized by our Board of Directors and publicly announced on February 13, 2018 for the repurchase of up to \$15 billion of our common stock, which will commence on July 1, 2018 and expire on June 30, 2021. Such shares may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

In connection with our merger with The Quaker Oats Company (Quaker) in 2001, shares of our convertible preferred stock were authorized and issued to an ESOP fund established by Quaker. In the first quarter of 2018, PepsiCo repurchased shares of its convertible preferred stock from the ESOP in connection with share redemptions by ESOP participants. Subsequent to such repurchases, all of the outstanding shares of our convertible preferred stock were converted into shares of our common stock. See Note 11 to our condensed consolidated financial statements for additional information on our convertible preferred stock.

The Company does not have any authorized, but unissued, “blank check preferred stock.”

The following table summarizes our convertible preferred share repurchases during the first quarter of 2018.

Issuer Purchases of Convertible Preferred Stock

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
12/31/2017 - 1/27/2018	3,900	\$ 593.37	N/A	N/A
1/28/2018 - 2/24/2018	—	\$ —	N/A	N/A
2/25/2018 - 3/24/2018	—	\$ —	N/A	N/A
Total	3,900	\$ 593.37	N/A	N/A

ITEM 6. Exhibits.

See “Index to Exhibits” on page [45](#).

INDEX TO EXHIBITS

ITEM 6

EXHIBIT

Exhibit 3.1	Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011.
Exhibit 3.2	By-Laws of PepsiCo, Inc., as amended and restated, effective as of January 11, 2016, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2016.
Exhibit 10.1	Form of Annual Long-Term Incentive Award Agreement.
Exhibit 10.2	Form of Performance-Based 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.
Exhibit 101	The following materials from PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 24, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) Notes to the Condensed Consolidated Financial Statements.

SIGNATURES

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 thereunto duly authorized.

PepsiCo, Inc.
(Registrant)

Date: April 26, 2018

/s/ Marie T. Gallagher
Marie T. Gallagher
Senior Vice President and Controller
(Principal Accounting Officer)

Date: April 26, 2018

/s/ David Yawman
David Yawman
Executive Vice President, Government Affairs,
General Counsel and Corporate Secretary
(Duly Authorized Officer)

2018 PEPSICO ANNUAL LONG-TERM INCENTIVE AWARD

**PEPSICO PERFORMANCE STOCK UNITS / LONG-TERM CASH AWARD
TERMS AND CONDITIONS**

These Terms and Conditions along with the PepsiCo Performance Stock Units / Long-Term Cash Award Summary provided to the Participant (the “**Award Summary**”) shall constitute an agreement (this “**Agreement**”), effective as of the “grant date” indicated on the Award Summary (the “**Grant Date**”), by and between PepsiCo, Inc., a North Carolina corporation having its principal office at 700 Anderson Hill Road, Purchase, New York 10577 (“**PepsiCo**,” and with its divisions and direct and indirect subsidiaries, the “**Company**”), and you (the “**Participant**”).

W I T N E S S E T H:

WHEREAS, the Board of Directors and shareholders of PepsiCo have approved the PepsiCo, Inc. Long-Term Incentive Plan (the “**Plan**”), for the purposes and subject to the provisions set forth in the Plan; and

WHEREAS, pursuant to the authority granted to it in the Plan, the Compensation Committee of the Board of Directors of PepsiCo (the “**Committee**”), at a meeting held on or prior to the Grant Date, duly authorized the grant to the Participant of PepsiCo performance stock units (“**PSUs**”) and a long-term cash award (“**LTC Award**”) each to be granted on the Grant Date and in the respective amounts set forth in the Award Summary ; and

WHEREAS, awards granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Committee shall determine.

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to PSUs. These terms and conditions shall apply with respect to the PSUs granted to the Participant as indicated on the Award Summary.

1. **Grant.** In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, a target number of PSUs as indicated on the Award Summary.

2. **Vesting and Payment.** PSUs may only vest while the Participant is actively employed by the Company. Subject to Paragraphs A.3 and A.4 below, the PSUs earned in accordance with Paragraph A.3 shall vest on the “vesting date” as indicated on the Award Summary (the “**Performance Stock Unit Vesting Date**”) and be paid as soon as practicable after such date (the “**PSU Payment Date**”). PSUs that become earned and payable shall be settled in shares of PepsiCo Common Stock, with the Participant receiving one share of PepsiCo Common Stock for each PSU earned. No fractional shares shall be delivered under this Agreement, and so any fractional share that may be payable shall be rounded to the nearest whole share. Any amount that the Company may be required to withhold upon the settlement of PSUs and/or the payment of dividend equivalents (see Paragraph A.6 below) in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of the issuance of shares or payment of cash. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold shares to satisfy the required withholding obligation related to the settlement of PSUs.

3. Earning and Forfeiture of PSUs. Subject to the terms and conditions set forth herein, the Participant can earn a specified number of PSUs with respect to the period which shall include the fiscal year in which the Grant Date occurs and the two fiscal years following such year (the “**Performance Period**”), determined based on the achievement of performance targets established by the Committee. Any portion of the PSU Award that is not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled. Subject to the terms and conditions set forth herein, the PSU Award shall be earned as follows:

(a) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a Performance Measure selected by the Committee for the Performance Period pursuant to the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such Performance Measure.

(b) One-half of the PSU Award shall be earned based on and subject to the level of achievement with respect to a second Performance Measure selected by the Committee for the Performance Period pursuant to the performance scale established by the Committee and communicated to the Participant. The Committee shall determine and certify the results of the level of achievement of such Performance Measure.

Notwithstanding the level of performance achieved with respect to the performance targets established under Paragraphs A.3(a) and (b) above, the Committee has the discretion to reduce the number of PSUs to be paid. The Committee’s right to exercise this discretion with respect to the earned portion of the PSU Award shall continue until the date on which the PSUs are delivered to the Participant.

Any PSUs that are not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled. Except in the case of death or Total Disability, the portion of the PSU Award with respect to which a Participant has satisfied the performance criteria will be payable in one payment on the Payment Date.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) Termination of Employment. PSUs may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant’s active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), all unvested PSUs shall automatically be forfeited and cancelled upon the date that the Participant’s active employment with the Company terminates regardless of whether any such PSUs have previously been earned in accordance with Paragraph A.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of PSUs will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant’s employment terminates prior to the Performance Stock Unit Vesting Date by reason of the Participant’s Retirement prior to attaining at least age 62, then a whole number of the PSUs granted hereunder shall vest on the Participant’s last day of active employment with the Company, with such number determined in proportion to the Participant’s active service (measured in calendar days) during the period commencing on the Grant Date and ending on the Performance Stock Unit Vesting Date (the “**Performance Stock Unit Vesting Period**”). All PSUs that vest in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 (with subparagraphs 3(a) and 3(b) of Paragraph A each being applied to one half of the PSU Award that vests in accordance with the foregoing sentence and with

subparagraph 3(c) being applied to such vested portion of the PSU Award) and shall be paid on the original PSU Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the PSUs granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. All such vested PSUs shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 (with subparagraphs 3(a) and 3(b) of Paragraph A each being applied to one half of the PSU Award that vests in accordance with the foregoing sentence and with subparagraph 3(c) being applied to such vested portion of the PSU Award) and shall be paid on the original PSU Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target number of PSUs set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the PSUs shall continue to vest (and their time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. All such PSUs shall remain subject to the earning and forfeiture provisions of Paragraphs A.2 and A.3 and shall be paid on the original PSU Payment Date.

5. No Rights as Shareholder. The Participant shall have no rights as a holder of PepsiCo Common Stock with respect to the PSUs granted hereunder unless and until such PSUs have been settled in shares of PepsiCo Common Stock that have been registered in the Participant's name as owner.

6. Dividend Equivalents. During the Performance Stock Unit Vesting Period, the Participant shall accumulate dividend equivalents with respect to the PSUs, which dividend equivalents shall be paid in cash (without interest) to the Participant only if and when the applicable PSUs vest and become payable. Dividend equivalents shall equal the dividends actually paid with respect to PepsiCo Common Stock during the Performance Stock Unit Vesting Period while (and to the extent) the PSUs remain outstanding and unpaid. For purposes of determining the dividend equivalents accumulated under this Paragraph C.6, any Performance Stock Units that become payable hereunder shall be considered to have been outstanding from the Grant Date. Upon the forfeiture of PSUs, any accumulated dividend equivalents attributable to such PSUs shall also be forfeited.

B. Terms and Conditions Applicable to LTC Award. These terms and conditions shall apply with respect to the LTC Award granted to the Participant as indicated on the Award Summary.

1. Grant. In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, an LTC Award in the target amount indicated on the Award Summary.

2. Vesting and Payment. The LTC Award may only vest while the Participant is actively employed by the Company. Subject to Paragraphs B.3 and B.4 below, the LTC Award earned in accordance with Paragraph B.3 shall vest on the "vesting date" as indicated on the Award Summary (the "**LTC Award Vesting Date**") and be paid in cash as soon as practicable after such date (the "**LTC Payment Date**"). Any amount that the Company may be required to withhold upon the settlement of the LTC Award in

respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of payment. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold a portion of the cash settlement amount of the LTC Award sufficient to satisfy any related required withholding obligation.

3. Earning and Forfeiture of LTC Award.

(a) The Participant can earn a specified percentage of the target amount of the LTC Award granted hereunder, equal to the product of (i) the target amount of the LTC Award set forth in the Award Summary, and (ii) the Relative TSR Performance Factor.

(b) The Relative TSR Performance Factor shall be determined based on the percentile ranking of PepsiCo's total shareholder return for the Performance Period relative to an index of peer companies selected by the Committee, calculated in accordance with the method established by the Committee and in accordance with a performance scale established by the Committee ("**Relative TSR**"). The Relative TSR Performance Factor shall be rounded to the second decimal. The Relative TSR Performance Factor for Relative TSR performance between the levels identified in the preceding sentence shall be determined by straight-line interpolation.

(c) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall vest or become payable if Relative TSR is less than 25th percentile relative to the index of peer companies selected by the Committee pursuant to Paragraph B.3(b).

(d) Notwithstanding the achievement of the performance target established under Paragraph B.3 (b) above, no LTC Award shall become payable in excess of the target amount of the LTC Award unless PepsiCo's absolute total shareholder return for the Performance Period is greater than zero.

Notwithstanding the level of performance achieved with respect to such Performance Measure, the Committee has the discretion to reduce the amount of the LTC Award earned to reflect the level of performance achieved with respect to the performance targets established under Paragraphs B.3(b). The Committee's right to exercise this discretion with respect to the amount of the LTC Award earned shall continue until the date on which the LTC Award is paid to the Participant.

Any LTC Award not earned in accordance with this Paragraph B.3 shall be forfeited and cancelled. Except in the case of death or Total Disability, the LTC Award for which a Participant has satisfied the performance criteria will be payable in one payment on the Payment Date.

4. Effect of Termination of Employment, Retirement, Death and Total Disability.

(a) Termination of Employment. The LTC Award may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant's active employment with the Company. Subject to subparagraphs 4(b), 4(c) and 4(d), any unvested portion of the LTC Award shall automatically be forfeited and cancelled upon the date that the Participant's active employment with the Company terminates regardless of whether any portion of such LTC Award has previously been earned in accordance with Paragraph B.3 above. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of any LTC Award will not be extended by any such period.

(b) Retirement Prior to Age 62. If the Participant's employment terminates prior to the LTC Award Vesting Date by reason of the Participant's Retirement prior to attaining at least age 62, then a portion of the target LTC Award granted hereunder shall vest on the Participant's last day of active employment with the Company, with such number determined in proportion to the Participant's active service (measured in calendar days) during the period commencing on the Grant Date and ending on the LTC Award Vesting Date. Any portion of an LTC Award that vests in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original LTC Payment Date.

(c) Retirement on or After Age 62. If the Participant's employment terminates by reason of the Participant's Retirement after attaining at least age 62, then the LTC Award granted hereunder shall become fully vested on the Participant's last day of active employment with the Company. Any such vested LTC Award shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original LTC Payment Date.

(d) Death or Total Disability. If the Participant's employment terminates by reason of death or Total Disability, then the target amount of the LTC Award set forth in the Award Summary shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(e) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo, the LTC Award shall continue to vest (and the time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. Any such LTC Award shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3 and shall be paid on the original LTC Payment Date.

C. Prohibited Conduct. In consideration of the Company disclosing and providing access to Confidential Information, as more fully described in Paragraph C.2 below, after the date hereof, the grant by the Company of the PSUs and the LTC Award, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Participant and the Company, intending to be legally bound, hereby agree as follows.

1. Non-Competition and Non-Solicitation. The Participant hereby covenants and agrees that at all times during his or her employment with the Company and for a period of twelve months after the termination of the Participant's employment with the Company for any reason whatsoever (including a termination due to the Participant's Retirement), he or she will not, without the prior written consent of PepsiCo's chief human resources officer or chief legal officer, either directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, partnership, corporation or other entity, engage in any activities prohibited in the following Paragraphs C.1(a) through (c):

(a) The Participant shall not, in any country in which the Company operates, accept any employment, assignment, position or responsibility, provide services in any capacity, or acquire any ownership interest that involves the Participant's Participation (as defined below) in an entity that markets, sells, distributes or produces Covered Products (as defined below), unless such entity makes retail sales or consumes Covered Products without in any way competing with the Company;

(b) With respect to Covered Products, the Participant shall not directly or indirectly solicit for competitive business purposes any customer or Prospective Customer (as defined below) of the Company called on, serviced by, or contacted by the Participant in any capacity during his or her employment; or

(c) The Participant shall not in any way, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), solicit any Company employee to leave the Company's employment or to accept any position with any other entity.

Notwithstanding anything in this Paragraph C.1, the Participant shall not be considered to be in violation of Paragraph C.1(a) solely by reason of owning, directly or indirectly, up to five percent (5%) in the aggregate of any class of securities of any publicly traded corporation engaged in the prohibited activities described in Paragraph C.1(a).

2. Non-Disclosure. In order to assist the Participant with his or her duties, the Company shall continue to provide the Participant with access to confidential and proprietary operational information and other confidential information that is either information not known by actual or potential competitors, customers and third parties of the Company or is proprietary information of the Company ("**Confidential Information**"). Such Confidential Information shall include all non-public information the Participant acquired as a result of his or her positions with the Company. Examples of such Confidential Information include, without limitation, non-public information about the Company's customers, suppliers, distributors and potential acquisition targets; its business operations, structure and methods of operation; its product lines, formulae and pricing; its processes, machines and inventions; its research and know-how; its production techniques; its financial data; its advertising and promotional ideas and strategy; information maintained in its computer systems; devices, processes, compilations of information and records; and its plans and strategies. The Participant agrees that such Confidential Information remains confidential even if committed to the Participant's memory. The Participant agrees, during the term of his or her employment and at all times thereafter, not to use, divulge, or furnish or make accessible to any third party, company, corporation or other organization (including but not limited to, customers or competitors of the Company), without the Company's prior written consent, any Confidential Information of the Company, except as necessary in his or her position with the Company. Nothing in this Agreement, the Plan, any other Award made under the Plan or in any other confidentiality provision to which the Participant may be subject as a result of the Participant's employment with the Company shall prohibit the Participant from, without notice to the Company, communicating with government agencies, providing information to government agencies, participating in government agency investigations, filing a complaint with government agencies, or testifying in government agency proceedings concerning any possible legal violations or from receiving any monetary award for information provided to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

3. Return of Confidential Information and Company Property. The Participant agrees that whenever the Participant's employment with the Company ends for any reason, (a) all documents containing or referring to the Company's Confidential Information as may be in the Participant's possession, or over which the Participant may have control, and all other property of the Company provided to the Participant by the Company during the course of the Participant's employment with the Company will be returned by the Participant to the Company immediately, with no request being

required; and (b) all Company computer and computer-related equipment and software, and all Company property, files, records, documents, drawings, specifications, lists, equipment, and similar items relating to the business of the Company, whether prepared by the Participant or otherwise, coming into the Participant's possession or control during the course of his employment shall remain the exclusive property of the Company, and shall be delivered by the Participant to the Company immediately, with no request being required.

4. Misconduct. During the term of his or her employment with the Company, the Participant shall not engage in any of the following acts that are considered to be contrary to the Company's best interests: (a) breaching any contract with or violating any obligation to the Company, including the Company's Code of Conduct, Insider Trading Policy or any other written policies of the Company, provided, however that nothing in this subsection is intended to bar the Participant from communicating with a governmental agency concerning any possible violations of law without notice to the Company, (b) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of his or her employment with the Company, (c) committing a felony or other serious crime, (d) engaging in any activity that constitutes gross misconduct in the performance of his or her employment duties or (e) engaging in any action that constitutes gross negligence or misconduct and that causes or contributes to the need for an accounting adjustment to PepsiCo's financial results.

5. Reasonableness of Provisions. The Participant agrees that: (a) the terms and provisions of this Agreement are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Paragraph C are ancillary or a part of; (b) the consideration provided by the Company under this Agreement is not illusory; (c) the restrictions contained in this Paragraph C are necessary and reasonable for the protection of the legitimate business interests and goodwill of the Company; and (d) the consideration given by the Company under this Agreement, including, without limitation, the provision by the Company of Confidential Information to the Participant, gives rise to the Company's interest in the covenants set forth in this Paragraph C.

6. Repayment and Forfeiture. The Participant specifically recognizes and affirms that each of the covenants contained in Paragraphs C.1 through C.4 of this Agreement is a material and important term of this Agreement that has induced the Company to provide for the award of the PSUs and the LTC Award granted hereunder, the disclosure of Confidential Information referenced herein, and the other promises made by the Company herein. The Participant further agrees that in the event that (i) the Company determines that the Participant has breached any term of Paragraphs C.1 through C.4 or (ii) all or any part of Paragraph C is held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between the Participant and the Company, in addition to any other remedies at law or in equity the Company may have available to it, the Company may in its sole discretion:

(a) cancel any unpaid PSUs or any LTC Award granted hereunder; and

(b) require the Participant to pay to the Company the value (determined as of the date paid) of any PSUs and any portion of any LTC Award granted hereunder that have been paid out.

In addition to the provisions of this Paragraph C.6, the Participant agrees that he or she will be bound by the terms of any Company compensation clawback policy applicable to the Participant that the Company may adopt from time to time.

7. Equitable Relief. In the event the Company determines that the Participant has breached or attempted or threatened to breach any term of Paragraph C, in addition to any other remedies at law or in equity the Company may have available to it, it is agreed that the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction

(without the necessity of (a) proving irreparable harm, (b) establishing that monetary damages are inadequate or (c) posting any bond with respect thereto) against the Participant prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach.

8. Extension of Restrictive Period. The Participant agrees that the period during which the covenants contained in this Paragraph C shall be effective shall be computed by excluding from such computation any time during which the Participant is in violation of any provision of Paragraph C.

9. Acknowledgments. The Company and the Participant agree that it was their intent to enter into a valid and enforceable agreement. The Participant and the Company thereby acknowledge the reasonableness of the restrictions set forth in Paragraph C, including the reasonableness of the geographic area, duration as to time and scope of activity restrained. The Participant further acknowledges that his or her skills are such that he or she can be gainfully employed in noncompetitive employment and that the agreement not to compete will not prevent him or her from earning a living. The Participant agrees that if any covenant contained in Paragraph C of this Agreement is found by a court of competent jurisdiction to contain limitations as to time, geographical area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interest of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographical area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

10. Provisions Independent. The covenants on the part of the Participant in this Paragraph C shall be construed as an agreement independent of any other agreement, including any employee benefit agreement, and independent of any other provision of this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

11. Notification of Subsequent Employer. The Participant agrees that the Company may notify any person or entity employing the Participant or evidencing an intention of employing the Participant of the existence and provisions of this Agreement.

12. Transfers to a Related Entity. In the event the Participant transfers to a Related Entity as a result of actions by PepsiCo, any reference to "Company" in this Paragraph C shall be deemed to refer to such Related Entity in addition to the Company.

D. Additional Terms and Conditions.

1. 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 PSUs held by the Participant relate shall be adjusted to such extent (if any), determined to be appropriate and equitable by the Committee.

2. Nontransferability. Unless the Committee specifically determines otherwise: (a) the PSUs and LTC Award are personal to the Participant and (b) neither the PSUs nor the LTC Award shall be transferable or assignable, other than in the case of the Participant's death by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void.

3. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) **“Covered Products”** means any product that falls into one or more of the following categories, so long as the Company is producing, marketing, selling or licensing such product anywhere in the world: beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks, energy drinks and value added dairy drinks; juices and juice products; dairy products; snacks, including salty snacks, sweet snacks, meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrup; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Participant had reason to know was under development by the Company during the Participant’s employment with the Company.

(b) **“Participation”** shall be construed broadly to include, without limitation: (i) serving as a director, officer, employee consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces.

(c) **“Prospective Customer”** shall mean any individual or entity of which the Participant has gained knowledge as a result of the Participant’s employment with the Company and with which the Participant dealt with or had contact with during the six (6) months preceding his or her termination of employment with the Company.

(d) **“Related Entity”** shall mean any entity (i) as to which PepsiCo directly or indirectly owns 20% or more, but less than a majority, of the entity’s voting securities, general partnership interests, or other voting or management rights at the relevant time and (ii) which the Committee or its delegate deems in its sole discretion to be a related entity at the relevant time.

(e) **“Retirement”** shall mean (i) early, normal or late retirement as used in the U.S. pension plan of the Company in which the Participant participates (if any) and for which the Participant is eligible pursuant to the terms of such plan or (ii) termination of employment after attaining at least age 55 and completing at least 10 years of service with the Company (or, if earlier, after attaining at least age 65 and completing at least five years of service with the Company), with the number of years of service completed by a Participant subject to clause (ii) to be calculated in accordance with administrative procedures established from time to time under the Plan.

(f) **“Total Disability”** shall mean being considered totally disabled under the PepsiCo Long-Term Disability Program (as amended and restated from time to time), with such status having resulted in benefit payments from such plan or another Company-sponsored disability plan and 12 months having elapsed since the Participant was so considered to be disabled from the cause of the current disability. The effective date of a Participant’s Total Disability shall be the first day that all of the foregoing requirements are met.

4. **Notices.** Any notice to be given to PepsiCo in connection with the terms of this Agreement shall be addressed to PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577, Attention: Senior Vice President, Total Rewards, or such other address as PepsiCo may hereafter designate to the Participant. 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.

5. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to PepsiCo, whether by merger, consolidation 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 it if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the PSUs and LTC Award may be transferred by will or the applicable laws of descent and distribution.

6. No Contract of Employment; Agreement's Survival. This Agreement is not a contract of employment. This Agreement does not impose on the Company any obligation to retain the Participant in its employ and shall not interfere with the ability of the Company to terminate the Participant's employment relationship at any time. This Agreement shall survive the termination of the Participant's employment for any reason. If an entity ceases to be a majority-owned subsidiary of PepsiCo for purposes of Rule 12b-2 of the Exchange Act or a Related Entity, such cessation shall, for purposes of this Agreement, be deemed to be a termination of employment with the Company with respect to any Participant employed by such entity, unless the Committee or its delegate determines otherwise in its sole discretion.

7. Registration, Listing and Qualification of Shares. The Committee may require that the Participant make such representations and agreements and furnish such information as the Committee 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 the Participant makes such representations and agreements and furnished such information as the Committee deems appropriate.

8. Amendment; Waiver. The terms and conditions of this Agreement may be amended in writing by the chief human resources officer or chief legal officer of PepsiCo (or either of their delegates); provided, however, that (i) no such amendment shall adversely affect the awards granted hereunder without the Participant's written consent (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Internal Revenue Code of 1986, as amended (the "Code") Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted); and (ii) the amendment must be permitted under the Plan. The Company's failure to insist upon strict compliance with any provision of this Agreement or failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not be deemed to be a waiver of such provision or any such right, power or remedy which the Board (as defined in the Plan), the Committee or the Company has under this Agreement.

9. 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.

10. Plan Terms. The PSUs, the LTC Award 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. The Committee reserves its rights to amend or terminate the Plan at any time without the consent of the Participant; provided, however, that PSUs and LTC Awards outstanding under the Plan at the time of such action shall not, without the Participant's written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted). All interpretations or determinations of the Committee or its delegate shall be final, binding and conclusive upon the Participant (and his or her legal representatives and any recipient of a

transfer of the PSUs or LTC Award 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.

11. Participant Acknowledgements. By entering into this Agreement, the Participant acknowledges and agrees that:

(a) the PSUs and the LTC 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 PSUs and LTC Awards already granted under the Plan);

(b) the Participant has been provided a copy of PepsiCo's Prospectus relating to the Plan, the PSUs (and the shares covered thereby) and the LTC Award;

(c) PSUs and LTC Awards are not a constituent part of the Participant's salary and that the Participant is not entitled, under the terms and conditions of his or her employment, or by accepting or being awarded any PSUs or LTC Awards pursuant to this Agreement, to require options, performance stock units, cash or other awards to be granted to him/her in the future under the Plan or any other plan;

(d) upon payment of PSUs or LTC Awards, the Participant will arrange for payment to the Company an estimated amount to cover employee payroll taxes resulting from such payment and/or, to the extent necessary, any balance may be withheld from the Participant's wages;

(e) benefits received under the Plan will be excluded from the calculation of termination indemnities or other severance payments;

(f) in the event of termination of the Participant's employment, a severance or notice period to which the Participant may be entitled under local law and which follows the date of termination specified in a notice of termination or other document evidencing the termination of the Participant's employment will not be treated as active employment for purposes of this Agreement and, as a result, vesting of unvested PSUs or LTC Awards will not be extended by any such period;

(g) this Agreement will be interpreted and applied so that the PSUs and the LTC Award, to the extent possible, will not be subject to Code Section 409A. To the extent such awards are subject to Code Section 409A because of the Participant's eligibility for Retirement, then payments limited to the earliest permissible payment date under Code Section 409A shall be made following a Change in Control only (i) upon a Change in Control if it qualifies under Code Section 409A(a)(2)(A)(v) (a "**409A CIC**"), and (ii) upon a termination of employment if it occurs after a 409A CIC and it constitutes a Section 409A separation from service (and in this case, the six-month delay of Code Section 409A(a)(2)(B)(i) shall apply to "specified employees," determined under the default rules of Section 409A or such other rules as apply generally under the Company's Section 409A plans). Notwithstanding any other provision of this Agreement, this Agreement will be modified to the extent the Committee reasonably determines is necessary or appropriate for such PSUs or LTC Awards to comply with Code Section 409A; and

(h) the non-disclosure provisions set forth in Paragraph C.2. supersede and replace in their entirety the non-disclosure provisions set forth in the Plan as in effect on the date hereof, in any agreement evidencing an Award made under the Plan and in any other Awards made under the Plan.

12. Right of Set-Off. The Participant agrees, in the event that the Company in its reasonable judgment determines that the Participant owes the Company any amount due to any loan, note, obligation or indebtedness, including but not limited to amounts owed to the Company pursuant to the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator

to withhold and/or sell shares of PepsiCo Common Stock acquired by the Participant upon settlement of the PSUs (to the extent such PSUs are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of such obligation from other funds due to the Participant from the Company (including with respect to any LTC Award) to the maximum extent permitted by Code Section 409A.

13. Electronic Delivery and Acceptance. The Participant hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. The Participant hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

14. Data Privacy. Participant hereby acknowledges and consents to the collection, use, processing and/or transfer of Personal Data as defined and described in this Paragraph D.14. Participant is not obliged to consent, however a failure to provide consent, or the withdrawal of consent at any time, may impact Participant's ability to participate in the Plan. The Company and/or Participant's employer collects and maintains certain personal information about Participant that may include name, home address and telephone number, email address, date of birth, social security number or other government or employer-issued identification number, salary grade, hire data, salary, citizenship, job title, any shares of PepsiCo Common Stock, or details of all performance stock units, long-term cash awards or any other entitlement to shares of PepsiCo Common Stock awarded, canceled, purchased, vested, or unvested (collectively "Personal Data"). The Company may use, process and/or transfer Personal Data amongst themselves to implement, administer and/or manage Participant's participation in the Plan. The Company may further use, process, analyze and/or transfer Personal Data for its overall administration, management and/or improvement of the Plan and/or to comply with any applicable laws and regulations. The Company maintains technical, administrative and physical safeguards designed to protect Personal Data. The Company may share and/or transfer Personal Data, in electronic or other format, to third parties including but not limited to the Plan's service provider. Such third parties assist in the implementation, administration and/or management of the Plan or Participant's participation in the Plan, for example to facilitate the holding of shares of PepsiCo Common Stock on Participant's behalf or to process the Participant's election to deposit shares of PepsiCo Common Stock acquired pursuant to the Plan with a broker or other third party. Third parties retained by the Company may use the Personal Data as authorized by the Company to provide the requested services. Third parties may be located throughout the world, including but not limited to the United States. Third parties often maintain their own published policies that describe their privacy and security practices. The Company is not responsible for the privacy or security practices of any third parties. Participant may access, review or amend certain Personal Data by contacting the Company and/or the Plan's service provider.

15. Stock Ownership Guidelines/Share Retention Policy. The Participant agrees as a condition of this grant that, in the event that the Participant is or becomes subject to the Company's Stock Ownership Guidelines and/or Share Retention Policy, the Participant shall not sell any shares of PepsiCo Common Stock obtained upon settlement of the PSUs unless such sale complies with the Stock Ownership Guidelines and the Share Retention Policy as in effect from time to time.

16. Governing Law. Notwithstanding the provisions of Paragraphs D.10 and D.11, this Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of law rules or principles.

17. Choice of Venue. Notwithstanding the provisions of Paragraphs D.10 and D.11, any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against the Participant or the Company only in the courts of the State of New York or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and the Participant and the Company consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

18. Entire Agreement. This Agreement contains all the understanding and agreements between the Participant and the Company regarding the subject matter hereof.

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PEPSICO LONG-TERM INCENTIVE AWARD

**SPECIAL RESTRICTED STOCK UNITS / PERFORMANCE STOCK UNITS
TERMS AND CONDITIONS**

These Terms and Conditions, along with the PepsiCo Restricted Stock Unit Award Summary and/or Performance Stock Unit Award Summary (each an “**Award Summary**”) delivered herewith and signed by the individual named on the Award Summary (the “**Participant**”), shall constitute an agreement (this “**Agreement**”) effective as of the “grant date” as indicated on the Award Summary (the “**Grant Date**”), by and between PepsiCo, Inc., a North Carolina corporation having its principal office at 700 Anderson Hill Road, Purchase, New York 10577 (“**PepsiCo**,” and with its divisions and direct and indirect subsidiaries, the “**Company**”), and the Participant.

W I T N E S S E T H:

WHEREAS, the Board of Directors and shareholders of PepsiCo have approved the PepsiCo, Inc. Long-Term Incentive Plan (the “**Plan**”), for the purposes and subject to the provisions set forth in the Plan;

WHEREAS, pursuant to the authority granted to it in the Plan, the Compensation Committee of the Board of Directors of PepsiCo (the “**Committee**”) or its delegate authorized the grant to the Participant of the restricted stock units and/or performance stock units set forth on the applicable Award Summary on or prior to the Grant Date; and

WHEREAS, awards granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Committee shall determine.

NOW, THEREFORE, it is mutually agreed as follows:

A. Terms and Conditions Applicable to Restricted Stock Units.

These terms and conditions shall apply with respect to the restricted stock units granted to the Participant as indicated on the Restricted Stock Unit Award Summary.

1. **Grant**. In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and conditions set forth herein, the number of restricted stock units indicated on the Restricted Stock Unit Award Summary (the “**Restricted Stock Units**”).

2. **Vesting**. Subject to the terms and conditions set forth herein, the number of Restricted Stock Units specified on the Restricted Stock Unit Award Summary shall become vested on each vesting date as indicated on the Restricted Stock Unit Award Summary (each such date, a “**Vesting Date**”) and shall be paid as soon as practicable after the applicable Vesting Date. Restricted Stock Units may vest only while the Participant is actively employed by the Company.

3. **Payment**. Restricted Stock Units that vest and become payable shall be settled in shares of PepsiCo Common Stock with the Participant receiving one share of PepsiCo Common Stock for each vested Restricted Stock Unit. No fractional shares shall be delivered under this Agreement, and so any fractional share that may be payable shall be rounded to the nearest whole share. Any amount that the Company may be required to withhold upon the settlement of Restricted Stock Units and/or the payment

of dividend equivalents (see Paragraph A.5 below) in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of the issuance of shares or payment of cash. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company shall withhold shares to satisfy the required withholding obligation related to the settlement of Restricted Stock Units.

4. Effect of Termination of Employment, Death, and Total Disability.

(a) Termination of Employment. Restricted Stock Units may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant's active employment with the Company. Subject to Paragraphs A.4(b), A.4(c) and A.4.(d), all unvested Restricted Stock Units shall automatically be forfeited and canceled upon the date that the Participant's active employment with the Company terminates. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of Restricted Stock Units will not be extended by any such period.

(b) Death or Total Disability. If the Participant's employment with the Company terminates by reason of the Participant's death or Total Disability (as defined below), then any unvested Restricted Stock Units shall become fully vested on the Participant's last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability) and will be paid as soon as practicable after that date, net of any Restricted Stock Units previously paid out.

(c) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity (as defined below) and such transfer is arranged and approved by PepsiCo, the Restricted Stock Units shall continue to vest (and their time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement.

(d) Other Termination. For purposes of clarity of Paragraph A.4(a) above, in the event that, prior to the vesting of the Restricted Stock Units, the Participant ceases active employment with the Company for any reason not specified in Paragraphs A.4(b) or A.4(c) above (such as the Participant's resignation, retirement or involuntary termination with or without cause), then all unvested Restricted Stock Units shall automatically be forfeited and canceled upon the date that the Participant's active employment with the Company terminates.

5. Dividend Equivalents. During the vesting period, the Participant shall accumulate dividend equivalents with respect to the Restricted Stock Units, which dividend equivalents shall be paid in cash (without interest) to the Participant only if and when the applicable Restricted Stock Units vest and become payable. Dividend equivalents shall equal the dividends actually paid with respect to PepsiCo Common Stock during the vesting period while (and to the extent) the Restricted Stock Units remain outstanding and unpaid. Upon the forfeiture of Restricted Stock Units, any accumulated dividend equivalents attributable to such Restricted Stock Units shall also be forfeited.

B. Terms and Conditions Applicable to Performance Stock Units. These terms and conditions shall apply with respect to the performance stock units, if any, granted to the Participant as indicated on the Performance Stock Unit Award Summary.

1. Grant. In consideration of the Participant remaining in the employ of the Company and agreeing to be bound by the covenants of Paragraph C, PepsiCo hereby grants to the Participant, on the terms and

conditions set forth herein, the target number of performance stock units as indicated on the Performance Stock Unit Award Summary (the “**Performance Stock Units**”).

2. Vesting and Payment. Performance Stock Units may only vest while the Participant is actively employed by the Company. Subject to Paragraphs B.3 and B.4 below, the Performance Stock Units earned in accordance with Paragraph B.3 shall vest on the “vesting date” as indicated on the Performance Stock Unit Award Summary (each, a “**Performance Stock Unit Vesting Date**”) and be paid as soon as practicable after the applicable Performance Stock Unit Vesting Date (the “**Payment Date**”) (but in no event later than March 15 following the Performance Stock Unit Vesting Date). Performance Stock Units that become earned and payable shall be settled in shares of PepsiCo Common Stock with the Participant receiving one share of PepsiCo Common Stock for each Performance Stock Unit earned. No fractional shares shall be delivered under this Agreement, and so any fractional share that may be payable shall be rounded to the nearest whole share. Any amount that the Company may be required to withhold upon the settlement of Performance Stock Units and/or the payment of dividend equivalents (see Paragraph B.5 below) in respect of applicable foreign, federal (including FICA), state and local taxes, must be paid in full at the time of the issuance of shares or payment of cash. Unless the Participant makes other arrangements to satisfy this withholding obligation in accordance with procedures approved by the Company in its discretion, the Company will withhold shares to satisfy the required withholding obligation related to the settlement of Performance Stock Units.

3. Earning and Forfeiture of Performance Stock Units.

The Participant can earn a percentage, within the range of percentages set forth on the Performance Stock Unit Award Summary, of the target number of Performance Stock Units granted hereunder. The number of Performance Stock Units that are earned shall be determined based on the achievement of performance targets separately communicated to the Participant. Any Performance Stock Units that are not earned in accordance with this Paragraph B.3 shall be forfeited and cancelled. Notwithstanding the achievement of any performance targets established under this Paragraphs B.3, the Committee has the discretion to reduce the number of Performance Stock Units paid. The Committee’s right to exercise this discretion with respect to all of the Performance Stock Units earned shall continue until the date on which the Performance Stock Units are paid to the Participant. Except in the case of death or Total Disability, the Performance Stock Units for which a Participant has satisfied the performance criteria will be payable in one payment as soon as practicable after each Vesting Date.

4. Effect of Termination of Employment, Death and Total Disability.

(a) Termination of Employment. Performance Stock Units may vest and become payable only while the Participant is actively employed by the Company. Thus, vesting ceases upon the termination of the Participant’s active employment with the Company at any time prior to the Performance Stock Unit Vesting Date. Subject to Paragraphs B.4(b), B.4(c) and B.4(d), all unvested Performance Stock Units shall automatically be forfeited and canceled upon the date that the Participant’s active employment with the Company terminates if such termination occurs prior to the Performance Stock Unit Vesting Date. An authorized severance leave of absence will not be treated as active employment, and, as a result, the vesting of Performance Stock Units will not be extended by any such period.

(b) Death or Total Disability. If the Participant’s employment terminates by reason of death or Total Disability prior to the Performance Stock Unit Vesting Date, then the target number of Performance Stock Units that remain unvested shall become fully vested on the Participant’s last day of active employment with the Company (which, for purposes of Total Disability, means the effective date of Total Disability), and shall be paid as soon as practicable following the date of termination.

(c) Transfers to a Related Entity. In the event the Participant transfers to a Related Entity and such transfer is arranged and approved by PepsiCo prior to the Performance Stock Unit Vesting Date, the Performance Stock Units shall continue to vest (and their time of payment shall be determined) after such transfer by treating the Participant's employment with the Related Entity as employment with the Company for purposes of this Agreement. All such Performance Stock Units shall remain subject to the earning and forfeiture provisions of Paragraphs B.2 and B.3.

(d) Other Termination. For purposes of clarity of Paragraph B.4(a) above, in the event that, prior to the Performance Stock Units Vesting Date, the Participant ceases active employment with the Company for any reason not specified in Paragraphs B.4(b) or B.4(c) above (such as the Participant's resignation, retirement or involuntary termination with or without cause), then all unvested Performance Stock Units shall automatically be forfeited and canceled upon the date that the Participant's active employment with the Company terminates.

5. Dividend Equivalents. During the period commencing on the Grant Date and ending on the Performance Stock Unit Vesting Date, the Participant shall accumulate dividend equivalents with respect to the Performance Stock Units, which dividend equivalents shall be paid in cash (without interest) to the Participant only if and when the applicable Performance Stock Units vest and become payable. Dividend equivalents shall equal the dividends actually paid with respect to PepsiCo Common Stock during such period while (and to the extent) the Performance Stock Units remain outstanding and unpaid. For purposes of determining the dividend equivalents accumulated under this Paragraph B.5, any Performance Stock Units that become payable hereunder shall be considered to have been outstanding from the Grant Date. Upon the forfeiture of Performance Stock Units, any accumulated dividend equivalents attributable to such Performance Stock Units shall also be forfeited.

6. No Rights as Shareholder. The Participant shall have no rights as a holder of PepsiCo Common Stock with respect to the Performance Stock Units granted hereunder unless and until such Performance Stock Units have been settled in shares of Common Stock that have been registered in the Participant's name as owner.

C. Prohibited Conduct. In consideration of the Company disclosing and providing access to Confidential Information, as more fully described in Paragraph C.2 below, after the date hereof, the grant by the Company of the Restricted Stock Units and/or Performance Stock Units, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Participant and the Company, intending to be legally bound, hereby agree as follows.

1. Non-Competition and Non-Solicitation. The Participant hereby covenants and agrees that at all times during his or her employment with the Company and for a period of twelve months after the termination of the Participant's employment with the Company for any reason whatsoever (including a termination due to the Participant's retirement), he or she will not, without the prior written consent of PepsiCo's chief human resources officer or chief legal officer, either directly or indirectly, for himself/herself or on behalf of or in conjunction with any other person, partnership, corporation or other entity, engage in any activities prohibited in the following Paragraphs C.1(a) through (c):

(a) The Participant shall not, in any country in which the Company operates, accept any employment, assignment, position or responsibility, provide services in any capacity, or acquire any ownership interest that involves the Participant's Participation in an entity that markets, sells, distributes or produces Covered Products, unless such entity makes retail sales or consumes Covered Products without in any way competing with the Company;

(b) With respect to Covered Products, the Participant shall not directly or indirectly solicit for competitive business purposes any customer or Prospective Customer of the Company called on, serviced by, or contacted by the Participant in any capacity during his or her employment; or

(c) The Participant shall not in any way, directly or indirectly (including through someone else acting on the Participant's recommendation, suggestion, identification or advice), solicit any Company employee to leave the Company's employment or to accept any position with any other entity.

Notwithstanding anything in this Paragraph C.1, the Participant shall not be considered to be in violation of Paragraph C.1(a) solely by reason of owning, directly or indirectly, up to five percent (5%) in the aggregate of any class of securities of any publicly traded corporation engaged in the prohibited activities described in Paragraph C.1(a).

2. **Non-Disclosure.** In order to assist the Participant with his or her duties, the Company shall continue to provide the Participant with access to confidential and proprietary operational information and other confidential information that is either information not known by actual or potential competitors, customers and third parties of the Company or is proprietary information of the Company ("**Confidential Information**"). Such Confidential Information shall include all non-public information the Participant acquired as a result of his or her positions with the Company. Examples of such Confidential Information include, without limitation, non-public information about the Company's customers, suppliers, distributors and potential acquisition targets; its business operations, structure and methods of operation; its product lines, formulae and pricing; its processes, machines and inventions; its research and know-how; its production techniques; its financial data; its advertising and promotional ideas and strategy; information maintained in its computer systems; devices, processes, compilations of information and records; and its plans and strategies. The Participant agrees that such Confidential Information remains confidential even if committed to the Participant's memory. The Participant agrees, during the term of his or her employment and at all times thereafter, not to use, divulge, or furnish or make accessible to any third party, company, corporation or other organization (including but not limited to, customers or competitors of the Company), without the Company's prior written consent, any Confidential Information of the Company, except as necessary in his or her position with the Company. Nothing in this Agreement, the Plan, any other Award made under the Plan or in any other confidentiality provision to which the Participant may be subject as a result of the Participant's employment with the Company shall prohibit the Participant from, without notice to the Company, communicating with government agencies, providing information to government agencies, participating in government agency investigations, filing a complaint with government agencies, or testifying in government agency proceedings concerning any possible legal violations or from receiving any monetary award for information provided to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

3. **Return of Confidential Information and Company Property.** The Participant agrees that whenever the Participant's employment with the Company ends for any reason, (a) all documents containing or referring to the Company's Confidential Information as may be in the Participant's

possession, or over which the Participant may have control, and all other property of the Company provided to the Participant by the Company during the course of the Participant's employment with the Company will be returned by the Participant to the Company immediately, with no request being required; and (b) all Company computer and computer-related equipment and software, and all Company property, files, records, documents, drawings, specifications, lists, equipment, and similar items relating to the business of the Company, whether prepared by the Participant or otherwise, coming into the Participant's possession or control during the course of his employment shall remain the exclusive property of the Company, and shall be delivered by the Participant to the Company immediately, with no request being required.

4. Misconduct. During the term of his or her employment with the Company, the Participant shall not engage in any of the following acts that are considered to be contrary to the Company's best interests: (a) breaching any contract with or violating any obligation to the Company, including the Company's Code of Conduct, Insider Trading Policy or any other written policies of the Company, provided, however that nothing in this subsection is intended to bar the Participant from communicating with a governmental agency concerning any possible violations of law without notice to the Company, (b) unlawfully trading in the securities of PepsiCo or of any other company based on information gained as a result of his or her employment with the Company, (c) committing a felony or other serious crime, (d) engaging in any activity that constitutes gross misconduct in the performance of his or her employment duties, or (e) engaging in any action that constitutes gross negligence or misconduct and that causes or contributes to the need for an accounting adjustment to PepsiCo's financial results.

5. Reasonableness of Provisions. The Participant agrees that: (a) the terms and provisions of this Agreement are reasonable and constitute an otherwise enforceable agreement to which the terms and provisions of this Paragraph C are ancillary or a part of; (b) the consideration provided by the Company under this Agreement is not illusory; (c) the restrictions contained in this Paragraph C are necessary and reasonable for the protection of the legitimate business interests and goodwill of the Company; and (d) the consideration given by the Company under this Agreement, including, without limitation, the provision by the Company of Confidential Information to the Participant, gives rise to the Company's interest in the covenants set forth in this Paragraph C.

6. Repayment and Forfeiture. The Participant specifically recognizes and affirms that each of the covenants contained in Paragraphs C.1 through C.4 of this Agreement is a material and important term of this Agreement that has induced the Company to provide for the award of the Restricted Stock Units and/or Performance Stock Units granted hereunder, the disclosure of Confidential Information referenced herein, and the other promises made by the Company herein. The Participant further agrees that in the event that (i) the Company determines that the Participant has breached any term of Paragraphs C.1 through C.4 or (ii) all or any part of Paragraph C is held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction in an action between the Participant and the Company, in addition to any other remedies at law or in equity the Company may have available to it, the Company may in its sole discretion:

(a) cancel any unpaid Restricted Stock Units or Performance Stock Units granted hereunder; and/or

(b) require the Participant to pay to the Company the value (determined as of the date paid) of any Restricted Stock Units or Performance Stock Units granted hereunder that have been paid out.

In addition to the provisions of this Paragraph C.6, the Participant agrees that he or she will be bound by the terms of any Company compensation clawback policy applicable to the Participant that the Company may adopt from time to time.

7. Equitable Relief. In the event the Company determines that the Participant has breached or attempted or threatened to breach any term of Paragraph C, in addition to any other remedies at law or in equity the Company may have available to it, it is agreed that the Company shall be entitled, upon application to any court of proper jurisdiction, to a temporary restraining order or preliminary injunction (without the necessity of (a) proving irreparable harm, (b) establishing that monetary damages are inadequate or (c) posting any bond with respect thereto) against the Participant prohibiting such breach or attempted or threatened breach by proving only the existence of such breach or attempted or threatened breach.

8. Extension of Restrictive Period. The Participant agrees that the period during which the covenants contained in this Paragraph C shall be effective shall be computed by excluding from such computation any time during which the Participant is in violation of any provision of Paragraph C.

9. Acknowledgments. The Company and the Participant agree that it was their intent to enter into a valid and enforceable agreement. The Participant and the Company thereby acknowledge the reasonableness of the restrictions set forth in Paragraph C, including the reasonableness of the geographic area, duration as to time and scope of activity restrained. The Participant further acknowledges that his or her skills are such that he or she can be gainfully employed in noncompetitive employment and that the agreement not to compete will not prevent him or her from earning a living. The Participant agrees that if any covenant contained in Paragraph C of this Agreement is found by a court of competent jurisdiction to contain limitations as to time, geographical area, or scope of activity that are not reasonable and impose a greater restraint than is necessary to protect the goodwill or other business interest of the Company, then the court shall reform the covenant to the extent necessary to cause the limitations contained in the covenant as to time, geographical area, and scope of activity to be restrained to be reasonable and to impose a restraint that is not greater than necessary to protect the goodwill and other business interests of the Company and to enforce the covenants as reformed.

10. Provisions Independent. The covenants on the part of the Participant in this Paragraph C shall be construed as an agreement independent of any other agreement, including any employee benefit agreement, and independent of any other provision of this Agreement, and the existence of any claim or cause of action of the Participant against the Company, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

11. Notification of Subsequent Employer. The Participant agrees that the Company may notify any person or entity employing the Participant or evidencing an intention of employing the Participant of the existence and provisions of this Agreement.

12. Transfers to a Related Entity. In the event the Participant transfers to a Related Entity as a result of actions by PepsiCo, any reference to "Company" in this Paragraph C shall be deemed to refer to such Related Entity in addition to the Company.

D. Additional Terms and Conditions

1. Adjustment for Change in 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 Restricted Stock Units or Performance Stock Units held by the Participant relate shall be adjusted, as may be, and to such extent (if any), determined to be appropriate and equitable by the Committee.

2. **Nontransferability.** Unless the Committee specifically determines otherwise: (a) the Restricted Stock Units and Performance Stock Units are personal to the Participant, and (b) Restricted Stock Units and Performance Stock Units shall not be transferable or assignable, other than in the case of the Participant's death by will or the laws of descent and distribution, and any such purported transfer or assignment shall be null and void.

3. **Definitions.** As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "**Covered Products**" means any product that falls into one or more of the following categories, so long as the Company is producing, marketing, selling or licensing such product anywhere in the world: beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks, energy drinks and value added dairy drinks; juices and juice products; dairy products; snacks, including salty snacks, sweet snacks, meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrup; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Participant had reason to know was under development by the Company during the Participant's employment with the Company.

(b) "**Participation**" shall be construed broadly to include, without limitation: (i) serving as a director, officer, employee consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces.

(c) "**Prospective Customer**" shall mean any individual or entity of which the Participant has gained knowledge as a result of the Participant's employment with the Company and with which the Participant dealt with or had contact with during the six (6) months preceding his or her termination of employment with the Company.

(d) "**Related Entity**" shall mean any entity (i) as to which PepsiCo directly or indirectly owns 20% or more, but less than a majority, of the entity's voting securities, general partnership interests, or other voting or management rights at the relevant time and (ii) which the Committee or its delegate deems in its sole discretion to be a related entity at the relevant time.

(e) "**Total Disability**" shall mean being considered totally disabled under the PepsiCo Long-Term Disability Program (as amended and restated from time to time), with such status having resulted in benefit payments from such plan or another Company-sponsored disability plan and 12 months having elapsed since the Participant was so considered to be disabled from the cause of the current disability. The effective date of a Participant's Total Disability shall be the first day that all of the foregoing requirements are met.

4. **Notices.** Any notice to be given to PepsiCo in connection with the terms of this Agreement shall be addressed to PepsiCo at 700 Anderson Hill Road, Purchase, New York 10577, Attention: Senior Vice President, Total Rewards, or such other address as PepsiCo may hereafter designate to the Participant. 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.

5. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to PepsiCo, whether by merger, consolidation 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 it if no such succession had taken place. This Agreement shall be binding

upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the Restricted Stock Units and Performance Stock Units may be transferred by will or the applicable laws of descent and distribution.

6. No Contract of Employment; Agreement's Survival. This Agreement is not a contract of employment. This Agreement does not impose on the Company any obligation to retain the Participant in its employ and shall not interfere with the ability of the Company to terminate the Participant's employment relationship at any time. This Agreement shall survive the termination of the Participant's employment for any reason. If an entity ceases to be a majority-owned subsidiary of PepsiCo for purposes of Rule 12b-2 of the Exchange Act or a Related Entity, such cessation shall, for purposes of this Agreement, be deemed to be a termination of employment with the Company with respect to any Participant employed by such entity, unless the Committee or its delegate determines otherwise in its sole discretion.

7. Registration, Listing and Qualification of Shares. The Committee may require that the Participant make such representations and agreements and furnish such information as the Committee 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 the Participant makes such representations and agreements and furnished such information as the Committee deems appropriate.

8. Amendment; Waiver. The terms and conditions of this Agreement may be amended in writing by the chief human resources officer or chief legal officer of PepsiCo (or either of their delegates); provided, however, that (i) no such amendment shall adversely affect the awards granted hereunder without the Participant's written consent (except to the extent the Committee reasonably determines that such amendment is necessary or appropriate to comply with applicable law, including the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted); and (ii) the amendment must be permitted under the Plan. The Company's failure to insist upon strict compliance with any provision of this Agreement or failure to exercise, or any delay in exercising, any right, power or remedy under this Agreement shall not be deemed to be a waiver of such provision or any such right, power or remedy which the Board, the Committee or the Company has under this Agreement.

9. 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.

10. Plan Terms. The Restricted Stock Units, Performance Stock Units 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. The Committee reserves its rights to amend or terminate the Plan at any time without the consent of the Participant; provided, however, that Restricted Stock Units and Performance Stock Units outstanding under the Plan at the time of such action shall not, without the Participant's written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law, including the provisions of Code Section 409A and the regulations thereunder pertaining to the deferral of compensation, or the rules and regulations of any stock exchange on which PepsiCo Common Stock is listed or quoted). All interpretations or determinations of the Committee or its delegate shall be final, binding and conclusive upon the Participant (and his or her legal representatives and any recipient of a transfer of the Restricted Stock Units or Performance Stock Units

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.

11. Participant Acknowledgements. By entering into this Agreement, the Participant acknowledges and agrees that:

(a) the Performance Stock Units and/or Restricted Stock Unit grant 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 Restricted Stock Units and Performance Stock Units already granted under the Plan);

(b) the Participant has been provided a copy of PepsiCo's Prospectus relating to the Plan, the Restricted Stock Units, Performance Stock Units and the shares covered thereby;

(c) restricted stock units and performance stock units are not a constituent part of the Participant's salary and that the Participant is not entitled, under the terms and conditions of his/her employment, or by accepting or being awarded the Restricted Stock Units and/or Performance Stock Units pursuant to this Agreement, to require restricted stock units, performance stock units or other awards to be granted to him/her in the future under the Plan or any other plan;

(d) upon payment of Restricted Stock Units or Performance Stock Units the Participant will arrange for payment to the Company an estimated amount to cover employee payroll taxes resulting from the payment and/or, to the extent necessary, any balance may be withheld from the Participant's wages;

(e) benefits received under the Plan will be excluded from the calculation of termination indemnities or other severance payments;

(f) in the event of termination of the Participant's employment, a severance or notice period to which the Participant may be entitled under local law and which follows the date of termination specified in a notice of termination or other document evidencing the termination of the Participant's employment will not be treated as active employment for purposes of this Agreement and, as a result, vesting of unvested Restricted Stock Units or Performance Stock Units will not be extended by any such period;

(g) 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 stock, including, without limitation, currency and exchange laws, rules and regulations;

(h) this Agreement will be interpreted and applied so that the Restricted Stock Units, in all cases, and Performance Stock Units, to the extent possible, will not be subject to Code Section 409A and each tranche of Performance Stock Units shall be considered a separate award for purposes of Code Section 409A. Notwithstanding any other provision of this Agreement, this Agreement will be modified to the extent the Committee reasonably determines that is necessary or appropriate for such Restricted Stock Units or Performance Stock Units to comply with Code Section 409A; and

(i) the non-disclosure provisions set forth in Paragraph C.2. supersede and replace in their entirety the non-disclosure provisions set forth in the Plan as in effect on the date hereof, in any agreement evidencing an Award made under the Plan and in any other Awards made under the Plan.

12. Right of Set-Off. The Participant agrees, in the event that the Company in its reasonable judgment determines that the Participant owes the Company any amount due to any loan, note, obligation or indebtedness, including but not limited to amounts owed to the Company pursuant to the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator

to withhold and/or sell shares of PepsiCo Common Stock acquired by the Participant upon settlement of the Restricted Stock Units or Performance Stock Units (to the extent such Restricted Stock Units or Performance Stock Units are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of such obligation from other funds due to the Participant from the Company to the maximum extent permitted by Code Section 409A.

13. Electronic Delivery and Acceptance. The Participant hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. The Participant hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan documents (including documents relating to any programs adopted under the Plan), and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

14. Data Privacy. Participant hereby acknowledges and consents to the collection, use, processing and/or transfer of Personal Data as defined and described in this Paragraph D.14. Participant is not obliged to consent, however a failure to provide consent, or the withdrawal of consent at any time, may impact Participant's ability to participate in the Plan. The Company and/or Participant's employer collects and maintains certain personal information about Participant that may include name, home address and telephone number, date of birth, social security number or other government or employer-issued identification number, salary grade, hire data, salary, citizenship, job title, any shares of PepsiCo Common Stock, or details of all options, restricted stock units, performance stock units or any other entitlement to shares of stock awarded, canceled, purchased, vested, or unvested (collectively "Personal Data"). The Company may use, process and/or transfer Personal Data amongst themselves to implement, administer and/or manage Participant's participation in the Plan. The Company may further use, process, analyze and/or transfer Personal Data for its overall administration, management and/or improvement of the Plan and/or to comply with any applicable laws and regulations. The Company maintains technical, administrative and physical safeguards designed to protect Personal Data. The Company may share and/or transfer Personal Data, in electronic or other format, to third parties including but not limited to the Plan's service provider. Such third parties assist in the implementation, administration and/or management of the Plan or Participant's participation in the Plan, for example to facilitate the holding of shares of stock on Participant's behalf or to process the Participant's election to deposit shares of stock acquired pursuant to the Plan with a broker or other third party. Third parties retained by the Company may use the Personal Data as authorized by the Company to provide the requested services. Third parties may be located throughout the world, including but not limited to the United States. Third parties often maintain their own published policies that describe their privacy and security practices. The Company is not responsible for the privacy or security practices of any third parties. Participant may access, review or amend certain Personal Data by contacting the Company and/or the Plan's service provider.

15. Stock Ownership Guidelines. The Participant agrees as a condition of this grant that, in the event that the Participant is or becomes subject to the Company's Stock Ownership Guidelines, the Participant shall not sell any shares obtained upon settlement of the Restricted Stock Units or Performance Stock Units unless such sale complies with the Stock Ownership Guidelines as in effect from time to time.

16. Governing Law. Notwithstanding the provisions of Paragraphs D.10 and D.11, this Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of law rules or principles.

17. Choice of Venue. Notwithstanding the provisions of Paragraphs D.10 and D.11, any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against the Participant or the Company only in the courts of the State of New York or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and the Participant and the Company consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

18. Entire Agreement. This Agreement contains all the understanding and agreements between the Participant and the Company regarding the subject matter hereof.

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Computation of Ratio of Earnings to Fixed Charges

PepsiCo, Inc. and Subsidiaries

(in millions except ratio amounts, unaudited)

	12 Weeks Ended	
	3/24/2018	3/25/2017
Earnings:		
Income before income taxes	\$ 1,657	\$ 1,721
Unconsolidated affiliates' interests, net	(40)	(36)
Amortization of capitalized interest	1	1
Interest expense ^(a)	294	252
Interest portion of rent expense ^(b)	54	50
Earnings available for fixed charges	\$ 1,966	\$ 1,988
Fixed Charges:		
Interest expense ^(a)	\$ 294	\$ 252
Capitalized interest	3	3
Interest portion of rent expense ^(b)	54	50
Total fixed charges	\$ 351	\$ 305
Ratio of Earnings to Fixed Charges ^(c)	5.60	6.52

(a) Excludes interest related to our reserves for income taxes as such interest is included in provision for income taxes and includes net amortization of debt premium/discount.

(b) One-third of rent expense is the portion deemed representative of the interest factor.

(c) Based on unrounded amounts.

Consent of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
PepsiCo, Inc.:

We hereby acknowledge our awareness of the use of our report dated April 26, 2018 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 24, 2018, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number

Form S-3

- PepsiCo Automatic Shelf Registration Statement, 333-216082
- PepsiCo Automatic Shelf Registration Statement, 333-197640
- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiCo Automatic Shelf Registration Statement, 333-133735
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

Form S-8

- The PepsiCo 401(k) Plan for Hourly Employees, 333-76204 and 333-150868
- The PepsiCo 401(k) Plan for Salaried Employees, 333-76196 and 333-150867
- PepsiCo, Inc. 2007 Long-Term Incentive Plan, 333-142811 and 333-166740
- PepsiCo, Inc. 2003 Long-Term Incentive Plan, 333-109509
- PepsiCo SharePower Stock Option Plan, 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-66150 and 333-109513
- Director Stock Plan, 33-22970 and 333-110030
- 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
- 1994 Long-Term Incentive Plan, 33-54733
- PepsiCo, Inc. 1995 Stock Option Incentive Plan, 33-61731, 333-09363 and 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 and 33-60965
- PepsiCo 401(k) Plan, 333-89265
- Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173) and the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates, 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 Share Award Plan, 333-87526
- PBG 401(k) Savings Program, PBG 401(k) Program, PepsiAmericas, Inc. Salaried 401(k) Plan and PepsiAmericas, Inc. Hourly 401(k) Plan, 333-165106
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan, PBG Stock Incentive Plan and PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165107

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
April 26, 2018

CERTIFICATION

I, **Indra K. Nooyi**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2018

/s/ Indra K. Nooyi

Indra K. Nooyi

Chairman of the Board of Directors and

Chief Executive Officer

CERTIFICATION

I, **Hugh F. Johnston**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2018

/s/ Hugh F. Johnston

Hugh F. Johnston

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 March 24, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: April 26, 2018

/s/ Indra K. Nooyi

Indra K. Nooyi

Chairman of the Board of Directors and
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 24, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: April 26, 2018

/s/ Hugh F. Johnston

Hugh F. Johnston

Chief Financial Officer