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 21, 2020 (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	13-1584302
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

700 Anderson Hill Road , Purchase , New York 10577

(Address of principal executive offices and 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)

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value 1-2/3 cents per share	PEP	The Nasdaq Stock Market LLC
2.500% Senior Notes Due 2022	PEP22a	The Nasdaq Stock Market LLC
1.750% Senior Notes Due 2021	PEP21a	The Nasdaq Stock Market LLC
2.625% Senior Notes Due 2026	PEP26	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2028	PEP28	The Nasdaq Stock Market LLC
0.750% Senior Notes Due 2027	PEP27	The Nasdaq Stock Market LLC
1.125% Senior Notes Due 2031	PEP31	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2039	PEP39	The Nasdaq Stock Market LLC

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	x	Accelerated filer	☐
Non-accelerated filer	☐	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 x

Number of shares of Common Stock outstanding as of April 21, 2020 was 1,387,500,433 .

PepsiCo, Inc. and Subsidiaries

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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	
	3/21/2020	3/23/2019
Net Revenue	**$ 13,881**	$ 12,884
Cost of sales	**6,127**	5,688
Gross profit	**7,754**	7,196
Selling, general and administrative expenses	**5,830**	5,188
Operating Profit	**1,924**	2,008
Other pension and retiree medical benefits income	**77**	64
Net interest expense and other	**(290)**	(204)
Income before income taxes	**1,711**	1,868
Provision for income taxes	**360**	446
Net income	**1,351**	1,422
Less: Net income attributable to noncontrolling interests	**13**	9
Net Income Attributable to PepsiCo	**$ 1,338**	$ 1,413
Net Income Attributable to PepsiCo per Common Share		
Basic	**$ 0.96**	$ 1.01
Diluted	**$ 0.96**	$ 1.00
Weighted-average common shares outstanding		
Basic	**1,390**	1,406
Diluted	**1,396**	1,413

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	
	3/21/2020	3/23/2019
Net income	**$ 1,351**	$ 1,422
Other comprehensive (loss)/income, net of taxes:		
Net currency translation adjustment	**(754)**	473
Net change on cash flow hedges	**(61)**	(27)
Net pension and retiree medical adjustments	**57**	17
Other	**1**	—
	(757)	463
Comprehensive income	**594**	1,885
Comprehensive income attributable to noncontrolling interests	**(13)**	(9)
Comprehensive Income Attributable to PepsiCo	**$ 581**	$ 1,876

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	
	3/21/2020	3/23/2019
Operating Activities		
Net income	**$ 1,351**	$ 1,422
Depreciation and amortization	**533**	498
Share-based compensation expense	**61**	57
Restructuring and impairment charges	**38**	26
Cash payments for restructuring charges	**(60)**	(52)
Pension and retiree medical plan expenses	**40**	47
Pension and retiree medical plan contributions	**(234)**	(260)
Deferred income taxes and other tax charges and credits	**25**	216
Net tax related to the Tax Cuts and Jobs Act (TCJ Act)	**—**	(29)
Change in assets and liabilities:		
Accounts and notes receivable	**(784)**	(406)
Inventories	**(312)**	(435)
Prepaid expenses and other current assets	**(263)**	(382)
Accounts payable and other current liabilities	**(1,419)**	(1,207)
Income taxes payable	**204**	120
Other, net	**71**	40
Net Cash Used for Operating Activities	**(749)**	(345)
Investing Activities		
Capital spending	**(484)**	(442)
Sales of property, plant and equipment	**5**	2
Acquisition of SodaStream International Ltd. (SodaStream)	**(9)**	(1,807)
Other acquisitions and investments in noncontrolled affiliates	**(445)**	(56)
Short-term investments, by original maturity - three months or less, net	**7**	9
Other investing, net	**1**	(6)
Net Cash Used for Investing Activities	**(925)**	(2,300)
Financing Activities		
Proceeds from issuances of long-term debt	**6,429**	1,122
Payments of long-term debt	**(1)**	(1,851)
Short-term borrowings, by original maturity:		
More than three months - proceeds	**164**	2
More than three months - payments	**(2)**	—
Three months or less, net	**2,794**	115
Cash dividends paid	**(1,349)**	(1,332)
Share repurchases - common	**(573)**	(940)
Proceeds from exercises of stock options	**78**	103
Withholding tax payments on restricted stock units (RSUs) and performance stock units (PSUs) converted	**(76)**	(93)
Other financing	**(2)**	(2)
Net Cash Provided by/(Used for) Financing Activities	**7,462**	(2,876)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	**(66)**	57
Net Increase/(Decrease) in Cash and Cash Equivalents and Restricted Cash	**5,722**	(5,464)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	**5,570**	10,769
Cash and Cash Equivalents and Restricted Cash, End of Period	**$ 11,292**	$ 5,305
Supplemental Non-Cash Activity		
Right-of-use assets obtained in exchange for lease obligations	**$ 148**	$ 59

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Balance Sheet
PepsiCo, Inc. and Subsidiaries
(in millions except per share amounts)

	(Unaudited) 3/21/2020	12/28/2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ **11,089**	$ 5,509
Short-term investments	**158**	229
Accounts and notes receivable, less allowance: 3/20 - $228 and 12/19 - $105	**8,477**	7,822
Inventories:		
Raw materials and packaging	**1,502**	1,395
Work-in-process	**277**	200
Finished goods	**1,821**	1,743
	3,600	3,338
Prepaid expenses and other current assets	**944**	747
Total Current Assets	**24,268**	17,645
Property, plant and equipment	**42,696**	43,003
Accumulated depreciation	**(23,716)**	(23,698)
Property, Plant and Equipment, net	**18,980**	19,305
Amortizable Intangible Assets, net	**1,443**	1,433
Goodwill	**15,465**	15,501
Other indefinite-lived intangible assets	**14,536**	14,610
Indefinite-Lived Intangible Assets	**30,001**	30,111
Investments in Noncontrolled Affiliates	**2,719**	2,683
Deferred Income Taxes	**4,357**	4,359
Other Assets	**3,294**	3,011
Total Assets	$ **85,062**	$ 78,547
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	$ **5,882**	$ 2,920
Accounts payable and other current liabilities	**16,196**	17,541
Total Current Liabilities	**22,078**	20,461
Long-Term Debt Obligations	**35,361**	29,148
Deferred Income Taxes	**4,060**	4,091
Other Liabilities	**10,004**	9,979
Total Liabilities	**71,503**	63,679
Commitments and contingencies		
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: 1,389 and 1,391 shares, respectively)	**23**	23
Capital in excess of par value	**3,741**	3,886
Retained earnings	**61,920**	61,946
Accumulated other comprehensive loss	**(15,057)**	(14,300)
Repurchased common stock, in excess of par value (478 and 476 shares, respectively)	**(37,162)**	(36,769)
Total PepsiCo Common Shareholders' Equity	**13,465**	14,786
Noncontrolling interests	**94**	82
Total Equity	**13,559**	14,868
Total Liabilities and Equity	$ **85,062**	$ 78,547

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries
(in millions, except per share amounts, unaudited)

	12 Weeks Ended					
	3/21/2020			3/23/2019		
	Shares	Amount		Shares	Amount	
Common Stock						
Balance, beginning of period	**1,391**	**$**	**23**	1,409	$	23
Change in repurchased common stock	**(2)**		**—**	(5)		—
Balance, end of period	**1,389**		**23**	1,404		23
Capital in Excess of Par Value						
Balance, beginning of period			**3,886**			3,953
Share-based compensation expense			**62**			57
Stock option exercises, RSUs and PSUs converted			**(131)**			(164)
Withholding tax on RSUs and PSUs converted			**(76)**			(93)
Balance, end of period			**3,741**			3,753
Retained Earnings						
Balance, beginning of period			**61,946**			59,947
Cumulative effect of accounting changes			**(34)**			8
Net income attributable to PepsiCo			**1,338**			1,413
Cash dividends declared – common [(a)]			**(1,330)**			(1,308)
Balance, end of period			**61,920**			60,060
Accumulated Other Comprehensive Loss						
Balance, beginning of period			**(14,300)**			(15,119)
Other comprehensive (loss)/income attributable to PepsiCo			**(757)**			463
Balance, end of period			**(15,057)**			(14,656)
Repurchased Common Stock						
Balance, beginning of period	**(476)**		**(36,769)**	(458)		(34,286)
Share repurchases	**(4)**		**(602)**	(9)		(971)
Stock option exercises, RSUs and PSUs converted	**2**		**209**	4		279
Balance, end of period	**(478)**		**(37,162)**	(463)		(34,978)
Total PepsiCo Common Shareholders' Equity			**13,465**			14,202
Noncontrolling Interests						
Balance, beginning of period			**82**			84
Net income attributable to noncontrolling interests			**13**			9
Other, net			**(1)**			1
Balance, end of period			**94**			94
Total Equity		**$**	**13,559**		$	14,296

(a) Cash dividends declared per common share were $0.955 and $0.9275 for the 12 weeks ended March 21, 2020 and March 23, 2019 , respectively.

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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information and with the rules and regulations for reporting the Quarterly Report on Form 10-Q (Form 10-Q). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet at December 28, 2019 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. These financial 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 28, 2019 (2019 Form 10-K), as modified to reflect the adoption of the recently issued accounting pronouncement disclosed in Note 2 in this Form 10-Q. This report should be read in conjunction with our 2019 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 21, 2020 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, substantially all of our international operations report on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 21, 2020 .

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.

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.

Our Divisions

As previously disclosed in our 2019 Form 10-K, during the fourth quarter of 2019, we realigned certain of our reportable segments to be consistent with a recent strategic realignment of our organizational structure and how our Chief Executive Officer assesses the performance of, and allocates resources to, our reportable segments. Our historical segment reporting presented in this report has been retrospectively revised to reflect the new organizational structure. These changes did not impact our consolidated financial results. See Note 1 to our consolidated financial statements in our 2019 Form 10-K for further information.

We are organized into seven 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) PepsiCo Beverages North America (PBNA), which includes our beverage businesses in the United States and Canada;
4) Latin America (LatAm), which includes all of our beverage, food and snack businesses in Latin America;
5) Europe, which includes all of our beverage, food and snack businesses in Europe;
6) Africa, Middle East and South Asia (AMESA), which includes all of our beverage, food and snack businesses in Africa, the Middle East and South Asia; and
7) Asia Pacific, Australia and New Zealand and China region (APAC), which includes all of our beverage, food and snack businesses in Asia Pacific, Australia and New Zealand, and China region.

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

	12 Weeks Ended	
Net Revenue [(a)]	**3/21/2020**	3/23/2019
FLNA	**$ 4,074**	$ 3,815
QFNA	**634**	594
PBNA	**4,838**	4,510
LatAm	**1,310**	1,241
Europe	**1,839**	1,620
AMESA	**631**	579
APAC	**555**	525
Total	**$ 13,881**	$ 12,884

(a) Our primary performance obligation is the distribution and sales of beverage, food and snack products to our customers. For the 12 weeks ended March 21, 2020 and March 23, 2019, our food and snack business represented approximately 55% of our consolidated net revenue. Internationally, LatAm's food and snack business represented approximately 90% of the segment's revenue, Europe's beverage business and food and snack business represented approximately 55% and 45% , respectively, of the segment's net revenue, AMESA's beverage business and food and snack business represented approximately 35% and 65% , respectively, of the segment's net revenue and APAC's beverage business and food and snack business represented approximately 20% and 80% , respectively, of the segment's net revenue. Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our PBNA and Europe segments, was 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.

	12 Weeks Ended	
Operating Profit	**3/21/2020**	3/23/2019
FLNA [(a)]	**$ 1,202**	$ 1,159
QFNA [(a)]	**150**	138
PBNA [(a)]	**297**	389
LatAm	**231**	230
Europe [(a)]	**146**	115
AMESA	**134**	105
APAC [(a)]	**142**	106
Total division	**$ 2,302**	$ 2,242
Corporate unallocated expenses	**(378)**	(234)
Total	**$ 1,924**	$ 2,008

(a) In the 12 weeks ended March 21, 2020, operating profit includes $143 million of certain charges taken as a result of the novel coronavirus (COVID-19) pandemic, including $68 million of incremental allowances for expected credit losses ($21 million in FLNA, $2 million in QFNA, $41 million in PBNA and $4 million in Europe), $44 million of write-downs against upfront payments to customers in PBNA, $26 million of inventory write-downs and product returns ($3 million in FLNA, $22 million in PBNA and $1 million in APAC) and $5 million of certain other charges ($3 million in FLNA, $1 million in PBNA and $1 million in APAC).

Note 2 - Recently Issued Accounting Pronouncements

Adopted

In 2016, the Financial Accounting Standards Board (FASB) issued guidance that changes the impairment model used to measure credit losses for most financial assets. For our trade receivables, certain other receivables and certain other financial instruments, we are required to use a new forward-looking expected credit loss model that replaced the existing incurred credit loss model. The new model generally results in earlier recognition of allowances for credit losses. We adopted this guidance prospectively in the first quarter of 2020 and the adoption did not have a material impact on our condensed consolidated financial statements or disclosures. We recorded an after-tax cumulative effect decrease to retained earnings of $34 million ($44 million pre-tax) as of the beginning of 2020 and, during the first quarter of 2020, we increased our allowance for expected credit losses and recorded a pre-tax charge of $68 million . This increase in allowance reflects the forward-looking expected impact of the global economic uncertainty caused by COVID-19, leveraging estimates of credit worthiness, default and recovery rates for certain of our customers, including foodservice and vending businesses.

Not Yet Adopted

In 2019, the FASB issued guidance to simplify the accounting for income taxes. The guidance primarily addresses how to (1) recognize a deferred tax liability after we transition to or from the equity method of accounting, (2) evaluate if a step-up in the tax basis of goodwill is related to a business combination or is a separate transaction, (3) recognize all of the effects of a change in tax law in the period of enactment, including adjusting the estimated annual tax rate, and (4) include the amount of tax based on income in the income tax provision and any incremental amount as a tax not based on income for hybrid tax regimes. The guidance is effective in the first quarter of 2021 with early adoption permitted. We are currently evaluating the impact of this guidance on our financial statements and the timing of adoption.

Note 3 - Restructuring and Impairment Charges

2019 Multi-Year Productivity Plan

We publicly announced a multi-year productivity plan on February 15, 2019 (2019 Productivity Plan) that will leverage new technology and business models to further simplify, harmonize and automate processes; re-engineer our go-to-market and information systems, including deploying the right automation for each market; and simplify our organization and optimize our manufacturing and supply chain footprint. In connection with this plan, we expect to incur pre-tax charges of approximately $2.5 billion and cash expenditures of approximately $1.6 billion . These pre-tax charges are expected to consist of approximately 70% of severance and other employee-related costs, 15% for asset impairments (all non-cash) resulting from plant closures and related actions, and 15% for other costs associated with the implementation of our initiatives. We expect to complete this plan by 2023.

The total expected plan pre-tax charges are expected to be incurred by division approximately as follows:

	FLNA	QFNA	PBNA	LatAm	Europe	AMESA	APAC	Corporate
Expected pre-tax charges	11%	2%	30%	10%	25%	8%	5%	9%

A summary of our 2019 Productivity Plan charges is as follows:

	12 Weeks Ended	
	3/21/2020	3/23/2019
Cost of sales	**$ 2**	$ 8
Selling, general and administrative expenses	**30**	23
Other pension and retiree medical benefits expense/(income)	**6**	(5)
Total restructuring and impairment charges	**$ 38**	$ 26
After-tax amount	**$ 32**	$ 23
Net income attributable to PepsiCo per common share	**$ 0.02**	$ 0.02

	12 Weeks Ended		Plan to Date
	3/21/2020	3/23/2019	**through 3/21/2020**
FLNA	**$ 5**	$ —	**$ 58**
QFNA	**1**	—	**8**
PBNA	**3**	6	**94**
LatAm	**5**	—	**76**
Europe	**8**	6	**113**
AMESA	**2**	8	**43**
APAC	**—**	3	**49**
Corporate	**8**	8	**62**
	32	31	**503**
Other pension and retiree medical benefits expense/(income) [(a)]	**6**	(5)	**43**
Total	**$ 38**	$ 26	**$ 546**

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

	12 Weeks Ended		Plan to Date
	3/21/2020	3/23/2019	**through 3/21/2020**
Severance and other employee costs [(a)]	**$ 22**	$ (3)	**$ 308**
Asset impairments	**1**	8	**93**
Other costs [(b)]	**15**	21	**145**
Total	**$ 38**	$ 26	**$ 546**

(a) Income amount represents adjustments for changes in estimates of previously recorded amounts.
(b) Includes other costs associated with the implementation of our initiatives, including contract termination costs, consulting and other professional fees.

A summary of our 2019 Productivity Plan activity for the 12 weeks ended March 21, 2020 is as follows:

	Severance and Other Employee Costs	**Asset Impairments**	**Other Costs**	**Total**
Liability as of December 28, 2019	$ 128	$ —	$ 21	$ 149
2020 restructuring charges	22	1	15	38
Cash payments	(31)	—	(29)	(60)
Non-cash charges and translation	(9)	(1)	4	(6)
Liability as of March 21, 2020	**$ 110**	**$ —**	**$ 11**	**$ 121**

Substantially all of the restructuring accrual at March 21, 2020 is expected to be paid by the end of 2020 .

Other Productivity Initiatives

There were no material charges related to other productivity and efficiency initiatives outside the scope of the 2019 Productivity Plan.

We regularly evaluate different productivity initiatives beyond the productivity plan and other initiatives described above.

Note 4 - Intangible Assets

A summary of our amortizable intangible assets is as follows:

	3/21/2020			12/28/2019		
	Gross	**Accumulated Amortization**	**Net**	Gross	Accumulated Amortization	Net
Acquired franchise rights	**$ 829**	**$ (157)**	**$ 672**	$ 846	$ (158)	$ 688
Reacquired franchise rights	**105**	**(105)**	**—**	106	(105)	1
Brands	**1,307**	**(1,058)**	**249**	1,326	(1,066)	260
Other identifiable intangibles	**850**	**(328)**	**522**	810	(326)	484
Total	**$ 3,091**	**$ (1,648)**	**$ 1,443**	$ 3,088	$ (1,655)	$ 1,433

The change in the book value of indefinite-lived intangible assets is as follows:

	Balance 12/28/2019		Acquisitions/ (Divestitures)		Translation and Other		Balance 3/21/2020	
FLNA [(a)]								
Goodwill	$	299	$	162	$	(11)	**$**	**450**
Brands		162		176		(2)		**336**
Total		461		338		(13)		**786**
QFNA								
Goodwill		189		—		—		**189**
Brands		11		—		—		**11**
Total		200		—		—		**200**
PBNA [(b)]								
Goodwill		9,898		21		(39)		**9,880**
Reacquired franchise rights		7,089		—		(66)		**7,023**
Acquired franchise rights		1,517		—		(13)		**1,504**
Brands		763		—		—		**763**
Total		19,267		21		(118)		**19,170**
LatAm								
Goodwill		501		—		(26)		**475**
Brands		125		—		(8)		**117**
Total		626		—		(34)		**592**
Europe [(c)]								
Goodwill		3,961		(3)		(131)		**3,827**
Reacquired franchise rights		505		—		(20)		**485**
Acquired franchise rights		157		—		(3)		**154**
Brands		4,181		—		(131)		**4,050**
Total		8,804		(3)		(285)		**8,516**
AMESA								
Goodwill		446		—		1		**447**
Total		446		—		1		**447**
APAC								
Goodwill		207		—		(10)		**197**
Brands		100		—		(7)		**93**
Total		307		—		(17)		**290**
Total goodwill		15,501		180		(216)		**15,465**
Total reacquired franchise rights		7,594		—		(86)		**7,508**
Total acquired franchise rights		1,674		—		(16)		**1,658**
Total brands		5,342		176		(148)		**5,370**
Total	$	30,111	$	356	$	(466)	**$**	**30,001**

(a) The change from December 28, 2019 to March 21, 2020 primarily reflects our acquisition of BFY Brands, Inc. (BFY Brands).
(b) The change in translation and other primarily reflects the depreciation of the Canadian dollar.
(c) The change in translation and other primarily reflects the depreciation of the Russian ruble.

Note 5 - Income Taxes

Tax Cuts and Jobs Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. The related provisional measurement period allowed by the U.S. Securities and Exchange Commission (SEC) ended in the fourth quarter of 2018. While our accounting for the recorded impact of the TCJ Act was deemed to be complete, additional guidance issued by the Internal Revenue Service (IRS) impacted our recorded amounts after December 29, 2018.

There were no tax amounts recognized in the 12 weeks ended March 21, 2020 related to the TCJ Act. In the 12 weeks ended March 23, 2019 , we recognized tax benefits of $29 million ($0.02 per share) related to the TCJ Act.

Other Tax Matters

On May 19, 2019, a public referendum held in Switzerland passed the Federal Act on Tax Reform and AHV Financing (TRAF), effective January 1, 2020. There were no income tax adjustments recorded in the 12 weeks ended March 21, 2020 related to the TRAF. Enactment of additional TRAF provisions subsequent to March 21, 2020 is expected to result in adjustments to our financial statements and related disclosures in future periods. The future impact of the TRAF cannot currently be reasonably estimated; we will continue to monitor and assess the impact the TRAF may have on our business and financial results.

For further information and discussion of the impacts of the TCJ Act and the TRAF, refer to Note 5 to our consolidated financial statements in our 2019 Form 10-K.

Subsequent to the end of our first quarter, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020 in the United States. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act, and estimated income tax payments that we expect to defer to future periods. We do not currently expect the CARES Act to have a material impact on our financial results, including on our annual estimated effective tax rate, or on our liquidity. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results.

Note 6 - Share-Based Compensation

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

	12 Weeks Ended	
	3/21/2020	3/23/2019
Share-based compensation expense - equity awards	**$ 61**	$ 57
Share-based compensation expense - liability awards	**3**	1
Restructuring charges	**1**	—
Total [(a)]	**$ 65**	$ 58

(a) Primarily recorded in selling, general and administrative expenses.

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

	12 Weeks Ended			
	3/21/2020		3/23/2019	
	Granted [a]	**Weighted-Average Grant Price**	Granted [a]	Weighted-Average Grant Price
Stock options	**1.6**	**$ 131.25**	1.1	$ 116.00
RSUs and PSUs	**2.4**	**$ 131.28**	2.7	$ 115.98

(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 $18 million and $15 million during the 12 weeks ended March 21, 2020 and March 23, 2019 , respectively.

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

	12 Weeks Ended	
	3/21/2020	3/23/2019
Expected life	**6 years**	5 years
Risk-free interest rate	**1.0%**	2.6%
Expected volatility	**14%**	14%
Expected dividend yield	**3.5%**	3.1%

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	
	U.S.		International			
	3/21/2020	3/23/2019	**3/21/2020**	3/23/2019	**3/21/2020**	3/23/2019
Service cost	**$ 100**	$ 88	**$ 17**	$ 13	**$ 6**	$ 5
Other pension and retiree medical benefits expense/(income):						
Interest cost	**100**	125	**16**	17	**6**	8
Expected return on plan assets	**(214)**	(206)	**(37)**	(33)	**(4)**	(4)
Amortization of prior service cost/(credits)	**3**	2	**—**	—	**(3)**	(4)
Amortization of net losses/(gains)	**45**	37	**10**	5	**(5)**	(6)
Special termination benefits [a]	**6**	(5)	**—**	—	**—**	—
Total other pension and retiree medical benefits income	**(60)**	(47)	**(11)**	(11)	**(6)**	(6)
Total	**$ 40**	$ 41	**$ 6**	$ 2	**$ —**	$ (1)

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

We continue to monitor the impact of the COVID-19 pandemic and related global economic conditions and uncertainty on the net unfunded status of our pension and retiree medical plans. We also regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans. In the 12 weeks ended March 21, 2020, we made a discretionary contribution of $150 million to the PepsiCo Employees Retirement Plan A (Plan A) in the United States. In the 12 weeks ended March 23, 2019, we made discretionary contributions of $150 million to Plan A in the United States and $17 million to our international plans.

Note 8 - Debt Obligations

In the 12 weeks ended March 21, 2020 , we issued the following senior notes:

Interest Rate	Maturity Date	Amount [(a)]
2.250%	March 2025	$ 1,500
2.625%	March 2027	$ 500
2.750%	March 2030	$ 1,500
3.500%	March 2040	$ 750
3.625%	March 2050	$ 1,500
3.875%	March 2060	$ 750

(a) Represents gross proceeds from issuances of long-term debt excluding debt issuance costs, discounts and premiums.

The net proceeds from the issuances of the above notes will be used for general corporate purposes, including the repayment of commercial paper.

In the 12 weeks ended March 21, 2020 , there were no maturities or prepayments of senior notes.

As of March 21, 2020 , we had $2.8 billion of commercial paper outstanding.

On March 12, 2020, one of our international consolidated subsidiaries borrowed 21.7 billion South African rand, or approximately $1.3 billion , from our two unsecured bridge loan facilities (Bridge Loan Facilities) to fund our acquisition of Pioneer Food Group Ltd. (Pioneer Foods). These borrowings are subject to a weighted-average initial annual interest rate of 7.5% , which resets every month, have maturity dates within one year and can be prepaid at any time. No further borrowings under these Bridge Loan Facilities are permitted. On April 14, 2020, we repaid 6.6 billion South African rand, or approximately $360 million , with no gain or loss recorded, and we have initiated repayment of the remaining outstanding borrowings and therefore expect these Bridge Loan Facilities to be fully repaid in the second quarter of 2020.

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 21, 2020 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 2019 Form 10-K.

Certain of our agreements with our counterparties require us to post full collateral on derivative instruments in a net liability position if our credit rating is at A2 (Moody’s Investors Service, Inc.) or A (S&P Global Ratings), and we have been placed on credit watch for possible downgrade or if our credit rating falls below these levels. The fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of March 21, 2020 was $672 million . We have posted no collateral under these contracts and no credit-risk-related contingent features were triggered as of March 21, 2020 .

The notional amounts of our financial instruments used to hedge the above risks as of March 21, 2020 and December 28, 2019 are as follows:

	Notional Amounts [a]	
	3/21/2020	12/28/2019
Commodity	**$ 1.2**	$ 1.1
Foreign exchange	**$ 1.8**	$ 1.9
Interest rate	**$ 5.0**	$ 5.0
Net investment [b]	**$ 2.4**	$ 2.5

(a) In billions.
(b) The total notional of our net investment hedge consists of non-derivative debt instruments.

As of March 21, 2020 , approximately 14% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 9% as of December 28, 2019 .

Fair Value Measurements

The fair values of our financial assets and liabilities as of March 21, 2020 and December 28, 2019 are categorized as follows:

		3/21/2020		12/28/2019	
	Fair Value Hierarchy Levels	**Assets [a]**	**Liabilities [a]**	Assets [a]	Liabilities [a]
Short-term investments [b]	**1**	**$ 158**	**$ —**	$ 229	$ —
Prepaid forward contracts [c]	**2**	**$ 13**	**$ —**	$ 17	$ —
Deferred compensation [d]	**2**	**$ —**	**$ 379**	$ —	$ 468
Derivatives designated as fair value hedging instruments:					
Interest rate [e]	**2**	**$ 7**	**$ 1**	$ —	$ 5
Derivatives designated as cash flow hedging instruments:					
Foreign exchange [f]	**2**	**$ 53**	**$ 13**	$ 5	$ 32
Interest rate [f]	**2**	**—**	**613**	—	390
Commodity [g]	**1**	**—**	**31**	2	5
Commodity [h]	**2**	**—**	**30**	2	5
		$ 53	**$ 687**	$ 9	$ 432
Derivatives not designated as hedging instruments:					
Foreign exchange [f]	**2**	**$ 8**	**$ 1**	$ 3	$ 2
Commodity [g]	**1**	**1**	**111**	23	7
Commodity [h]	**2**	**5**	**40**	6	24
		$ 14	**$ 152**	$ 32	$ 33
Total derivatives at fair value [i]		**$ 74**	**$ 840**	$ 41	$ 470
Total		**$ 245**	**$ 1,219**	$ 287	$ 938

(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 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.
(c) Based primarily on the price of our common stock.
(d) Based on the fair value of investments corresponding to employees' investment elections.
(e) Based on LIBOR forward rates. The carrying amount of hedged fixed-rate debt was $2.2 billion as of March 21, 2020 and December 28, 2019 , and classified on our balance sheet within short-term and long-term debt obligations. As of March 21, 2020 and December 28, 2019, the cumulative amount of fair value hedging adjustments to hedged fixed-rate debt was a $6 million gain and a $5 million loss, respectively. As of March 21, 2020 and December 28, 2019 , the cumulative amount of fair value hedging adjustments on discontinued hedges was a

$ 42 million loss and a $49 million loss, respectively, which is being amortized over the remaining life of the related debt obligations.
(f) Based on recently reported market transactions of spot and forward rates.
(g) Based on quoted contract prices on futures exchange markets.
(h) Based on recently reported market transactions of swap arrangements.
(i) 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 21, 2020 and December 28, 2019 were not material. Collateral received or posted against our asset or liability positions was not material. Collateral posted of $201 million and $58 million as of March 21, 2020 and December 28, 2019, respectively, is classified as restricted cash.

The carrying amounts of our cash and cash equivalents approximate fair value due to their short-term maturity. The fair value of our debt obligations as of March 21, 2020 and December 28, 2019 was $43 billion and $34 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]**	
	3/21/2020	3/23/2019	**3/21/2020**	3/23/2019	**3/21/2020**	3/23/2019
Foreign exchange	**$ (11)**	$ (3)	**$ (51)**	$ 31	**$ 4**	$ (5)
Interest rate	**(11)**	(28)	**223**	(7)	**150**	(11)
Commodity	**166**	(42)	**64**	(4)	**3**	1
Net investment	**—**	—	**(84)**	(10)	**—**	—
Total	**$ 144**	$ (73)	**$ 152**	$ 10	**$ 157**	$ (15)

(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 net interest expense and other. These losses/gains are substantially offset by decreases/increases in the value of the underlying debt, which are also included in net interest expense and other. 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 net interest expense and other. 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 $46 million related to our cash flow hedges from accumulated other comprehensive loss into net income during the next 12 months.

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			
	3/21/2020		3/23/2019	
	Income	**Shares [a]**	Income	Shares [a]
Basic net income attributable to PepsiCo per common share	**$ 0.96**		$ 1.01	
Net income available for PepsiCo common shareholders	**$ 1,338**	**1,390**	$ 1,413	1,406
Dilutive securities:				
Stock options, RSUs, PSUs and other [b]	**—**	**6**	—	7
Diluted	**$ 1,338**	**1,396**	$ 1,413	1,413
Diluted net income attributable to PepsiCo per common share	**$ 0.96**		$ 1.00	

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

(b) The dilutive effect of these securities is calculated using the treasury stock method.

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

	12 Weeks Ended	
	3/21/2020	3/23/2019
Out-of-the-money options [(a)]	—	1.2
Average exercise price per option	$ —	$ 115.98

(a) In millions.

Note 11 - 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:

	Currency Translation Adjustment	**Cash Flow Hedges**	**Pension and Retiree Medical**	**Other**	**Accumulated Other Comprehensive Loss Attributable to PepsiCo**
Balance as of December 28, 2019 [(a)]	$ (11,290)	$ (3)	$ (2,988)	$ (19)	$ (14,300)
Other comprehensive (loss)/income before reclassifications [(b)]	(735)	(236)	21	1	(949)
Amounts reclassified from accumulated other comprehensive loss	—	157	50	—	207
Net other comprehensive (loss)/income	(735)	(79)	71	1	(742)
Tax amounts	(19)	18	(14)	—	(15)
Balance as of March 21, 2020 [(a)]	**$ (12,044)**	**$ (64)**	**$ (2,931)**	**$ (18)**	**$ (15,057)**

(a) Pension and retiree medical amounts are net of taxes of $1,370 million as of December 28, 2019 and $1,356 million as of March 21, 2020.
(b) Currency translation adjustment primarily reflects depreciation of the Russian ruble, Canadian dollar and Mexican peso.

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 29, 2018 [(a)]	$ (11,918)	$ 87	$ (3,271)	$ (17)	$ (15,119)
Other comprehensive (loss)/income before reclassifications [(b)]	475	(20)	(16)	—	439
Amounts reclassified from accumulated other comprehensive loss	—	(15)	34	—	19
Net other comprehensive (loss)/income	475	(35)	18	—	458
Tax amounts	(2)	8	(1)	—	5
Balance as of March 23, 2019 [(a)]	$ (11,445)	$ 60	$ (3,254)	$ (17)	$ (14,656)

(a) Pension and retiree medical amounts are net of taxes of $1,466 million as of December 29, 2018 and $1,465 million as of March 23, 2019.
(b) Currency translation adjustment primarily reflects appreciation of the Russian ruble, Mexican peso and Pound sterling.

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
	3/21/2020	3/23/2019	
Cash flow hedges:			
Foreign exchange contracts	**$ 4**	$ (5)	Cost of sales
Interest rate derivatives	**150**	(11)	Net interest expense and other
Commodity contracts	**3**	1	Cost of sales
Net losses/(gains) before tax	**157**	(15)	
Tax amounts	**(39)**	4	
Net losses/(gains) after tax	**$ 118**	$ (11)	
Pension and retiree medical items:			
Amortization of prior service credits	**$ —**	$ (2)	Other pension and retiree medical benefits income
Amortization of net losses	**50**	36	Other pension and retiree medical benefits income
Net losses before tax	**50**	34	
Tax amounts	**(11)**	(7)	
Net losses after tax	**$ 39**	$ 27	
Total net losses reclassified, net of tax	**$ 157**	$ 16	

Note 12 - Acquisitions and Divestitures

Acquisition of Pioneer Food Group Ltd.

On March 23, 2020, we acquired all of the outstanding shares of Pioneer Foods, a food and beverage company in South Africa with exports to countries across the globe, for 110.00 South African rand per share in cash. The total consideration transferred was approximately $1.2 billion (or $1.2 billion , net of cash and cash equivalents acquired), and was funded by the Bridge Loan Facilities entered into by one of our international consolidated subsidiaries. See Note 8 for further information.

We will account for the transaction as a business combination in the second quarter of 2020. We will recognize and measure the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition, primarily in our AMESA segment. The assets acquired and liabilities assumed in Pioneer Foods as of the acquisition date, which primarily include goodwill and other intangible assets and property, plant and equipment , will be based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the second quarter of 2021.

Acquisition of Rockstar Energy Beverages (Rockstar)

On April 24, 2020, we acquired Rockstar, a manufacturer, distributor and marketer of energy beverages and related products, for an upfront cash payment of approximately $3.85 billion and contingent consideration related to future tax benefits associated with the acquisition of approximately $0.7 billion . The contingent consideration will be paid over up to 15 years , with an option to accelerate, and is measured based on discounted future cash flows with estimated maximum payments of approximately $1.1 billion using current tax rates. The purchase price will also be adjusted for net working capital amounts as of the acquisition date compared to targeted amounts set forth in the acquisition agreement.

We will account for the transaction as a business combination in the second quarter of 2020. We will recognize and measure the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition, primarily in our PBNA segment. The assets acquired and liabilities assumed in Rockstar as of the acquisition date, which primarily include goodwill and other intangible assets, and the contingent consideration liability will be based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the second quarter of 2021.

In addition to our acquisition of Rockstar, as part of our overall energy strategy, we entered into an agreement with Vital Pharmaceuticals, Inc. for us and our bottlers to exclusively distribute Bang Energy drinks in the United States.

Acquisition of Hangzhou Haomusi Food Co., Ltd. (Be & Cheery)

On February 21, 2020, we entered into an agreement to acquire all of the outstanding shares of Be & Cheery, one of the largest online snacks companies in China, from Haoxiangni Health Food Co., Ltd. for $705 million . The purchase price will be adjusted for net working capital and net debt amounts as of the acquisition date compared to targeted amounts set forth in the acquisition agreement. The transaction is subject to certain regulatory approvals and other customary closing conditions and will be recorded in our APAC segment. The transaction is expected to close in the second half of 2020.

Acquisition of SodaStream International Ltd.

On December 5, 2018, we acquired all of the outstanding shares of SodaStream, a manufacturer and distributor of sparkling water makers, for $144.00 per share in cash, in a transaction valued at approximately $3.3 billion . The total consideration transferred was $3.3 billion (or $3.2 billion , net of cash and cash equivalents acquired). The purchase price allocation was finalized in the fourth quarter of 2019. See Note 14 to our consolidated financial statements in our 2019 Form 10-K for further information.

Inventory Fair Value Adjustments and Merger and Integration Charges

In the 12 weeks ended March 21, 2020, we recorded merger and integration charges of $25 million ($22 million after-tax or $ 0.02 per share), including $23 million in our FLNA segment related to our acquisition of BFY Brands and $2 million in our AMESA segment related to our acquisition of Pioneer Foods. These charges primarily relate to contract termination and employee-related costs and are recorded in selling, general and administrative expenses.

In the 12 weeks ended March 23, 2019, we recorded inventory fair value adjustments and merger and integration charges of $15 million ($0.01 per share) in our Europe segment, primarily related to fair value adjustments to the acquired inventory included in SodaStream's balance sheet at acquisition date recorded in cost of sales.

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 2019 Form 10-K.

Total Marketplace Spending

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, as products are delivered, for the expected payout, which may occur after year-end once reconciled and settled.

These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer and consumer 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.

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 strategies and transactions, including transfer pricing arrangements, available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. Subsequent recognition, derecognition and measurement of a tax position taken in a previous period are separately recognized in the quarter in which they occur.

Our Business Risks

This 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: the impact of the spread of COVID-19; future demand for PepsiCo's products, as a result of changes in consumer preferences or otherwise; changes in laws related *to the use or disposal of plastics or other packaging of PepsiCo's products; 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; PepsiCo's ability to compete effectively; failure to realize anticipated benefits from PepsiCo's productivity or reinvestment initiatives or operating model; 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; water scarcity; 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, integrate or manage 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 can result in an impairment charge; increase in income tax rates, changes in income tax laws, including as a result of enactment and implementation of the TRAF, or disagreements with tax authorities; PepsiCo's ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of, or a significant reduction in sales to, any key customer; disruption to the retail landscape, including rapid growth in e-commerce channel and hard discounters; 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 legal, regulatory or market measures to address climate change; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; failure to adequately protect our intellectual property rights or infringement of intellectual property rights of others; 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 2019 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" and "Item 1A. Risk Factors" 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.*

COVID-19

Our global operations expose us to risks associated with the COVID-19 pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to almost all of the countries in which our products are made, manufactured, distributed or sold. Authorities in many of these markets have implemented numerous measures to stall the spread of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place orders, and business shutdowns. These measures have impacted and will further impact us, our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties with whom we do business. There is considerable uncertainty regarding how these measures and future measures in response to the pandemic will impact our business, including whether they will result in further changes in demand for our products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs or otherwise), how they will further impact our supply chain and whether they will result in further reduced availability of air or other commercial transport, port closures or border restrictions, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely. We have implemented safety protocols at our facilities and have been working and will continue to work closely with our business partners on contingency planning in an effort to maintain supply. To date, we have not experienced a material disruption to our operations or supply chain, although we can reasonably envision that possibility.

Public concern regarding the risk of contracting COVID-19 impacts demand from consumers, including due to consumers not leaving their homes or otherwise shopping in a different manner than they historically have or because some of our consumers have lower discretionary income due to unemployment or reduced or limited work as a result of measures taken in response to the pandemic. As we sell a wide variety of beverages, foods and snacks in more than 200 countries and territories, the profile of the products we sell and the amount of revenue attributable to such products varies by jurisdiction and changes in demand as a result of COVID-19 will vary in scope and timing across these markets. In addition, changes in consumer purchasing and consumption patterns may increase demand for our products in one quarter, resulting in decreased consumer demand for our products in subsequent quarters, or in one sales channel resulting in potentially reduced profit from sales of our products. For example, to date, we have seen a shift in product and channel preferences, including an increase in at-home consumption and a decrease in immediate consumption and away-from-home channels, such as convenience and gas and foodservice, which negatively impacts our beverage businesses. Any reduced demand for our products or change in consumer purchasing and consumption patterns, as well as continued economic uncertainty, can adversely affect our customers' and business partners' financial condition, resulting in an inability to pay for our products, reduced or canceled orders of our products, closing of restaurants, stores, entertainment or sports complexes or other venues in which our products are sold, or our business partners' inability to supply us with ingredients or other items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition may also result in our recording additional impairment charges for our inability to recover or collect any accounts receivable, owned or leased assets, including certain foodservice and vending and other equipment, or prepaid expenses. In addition, economic uncertainty associated with the COVID-19 pandemic has resulted in volatility in the global capital and credit markets which can impair our ability to access these markets on terms commercially acceptable to us, or at all.

While we have developed and implemented and continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols in an effort to try to mitigate the negative impact of COVID-19 to our employees and our business, the extent of the impact of the pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and which all will vary by market, including the duration and scope of the pandemic, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic and changes in consumer behavior in response to the pandemic, some of which may be more than just temporary.

Coronavirus Aid, Relief, and Economic Security Act

Subsequent to the end of our first quarter, the CARES Act was enacted on March 27, 2020 in the United States. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act, and estimated income tax payments that we expect to defer to future periods. We do not currently expect the CARES Act to have a material impact on our financial results, including on our annual estimated effective tax rate, or on our liquidity. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results. Refer to the COVID-19 discussion above for further information.

See Note 5 to our condensed consolidated financial statements for further information.

Risks Associated with International Operations

In the 12 weeks ended March 21, 2020 , substantially all of our financial results outside of North America reflect the months of January and February . In the 12 weeks ended March 21, 2020 , our operations outside of the United States generated 35% of our consolidated net revenue, with Mexico, Canada, Russia, China, the United Kingdom and Brazil comprising approximately 19% of our consolidated 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 21, 2020 , unfavorable foreign exchange had a net nominal impact on net revenue growth primarily due to declines in the Brazilian real and euro, offset by appreciation in the 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 Argentina, Brazil, China, Mexico, the Middle East, Russia and Turkey and currency controls or fluctuations in certain of these international markets, continue to, and the threat or imposition of tariffs in or related to these international markets may, result in challenging operating environments.

We continue to monitor the economic and political developments related to the United Kingdom’s 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 Europe segment and our other businesses.

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 21, 2020 and December 28, 2019 and Note 9 to our consolidated financial statements in our 2019 Form 10-K for a discussion of these items. Cautionary statements included above and in “Item 1A. Risk Factors” in this Form 10-Q, 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” in our 2019 Form 10-K should be considered when evaluating our trends and future results.

Imposition of Taxes and Regulations on our Products

Certain jurisdictions in which our products are made, manufactured, distributed or sold have either imposed, or are considering imposing, new or increased taxes or regulations on the manufacture, distribution or sale of our products or their packaging, ingredients or substances contained in, or attributes of, our products or their packaging, commodities used in the production of our products or their packaging or the recyclability or recoverability of our packaging. These taxes and regulations vary in scope and form. For example, some taxes apply to all beverages, including non-caloric beverages, while others apply only to beverages with a caloric sweetener (e.g., sugar). In addition, some regulations apply to all products using certain types of packaging (e.g., plastic), while others are designed to increase the sustainability of packaging, encourage waste reduction and increased recycling rates or facilitate the waste management process or restrict the sale of products in certain packaging.

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, the amount of revenue attributable to such products and the type of packaging used varies by jurisdiction. Because of this, we cannot predict the scope or form potential taxes, regulations or other limitations on our products or their packaging may take, and therefore cannot predict the impact of such taxes, regulations or limitations on our financial results. In addition, taxes, regulations and limitations may impact us and our competitors differently. We continue to monitor existing and proposed taxes and regulations 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, regulations or limitations, including advocating alternative measures with respect to the imposition, form and scope of any such taxes, regulations or limitations.

Tax Cuts and Jobs Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. The related provisional measurement period allowed by the SEC ended in the fourth quarter of 2018. While our accounting for the recorded impact of the TCJ Act was deemed to be complete, additional guidance issued by the IRS impacted our recorded amounts after December 29, 2018. For further information on the impact of the TCJ Act, see Note 5 to our condensed consolidated financial statements and “Our Liquidity and Capital Resources” in this Form 10-Q, as well as Note 5 to our consolidated financial statements in our 2019 Form 10-K.

Other Tax Matters

On May 19, 2019, a public referendum held in Switzerland passed the TRAF , effective January 1, 2020. There were no income tax adjustments recorded in the 12 weeks ended March 21, 2020 related to the TRAF. Enactment of additional TRAF provisions subsequent to March 21, 2020 is expected to result in adjustments to our financial statements and related disclosures in future periods. The future impact of the TRAF cannot currently be reasonably estimated; we will continue to monitor and assess the impact the TRAF may have on our business and financial results.

See Note 5 to our condensed consolidated financial statements for further information.

Retail Landscape

Additionally, our industry continues to be affected by disruption of the retail landscape, including the rapid growth in sales through e-commerce websites and mobile commerce applications, including through subscription services, 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, including as a result of the impact of the COVID-19 pandemic, and seek to identify actions we may take to build our global e-commerce and digital capabilities, distribute our products effectively through all existing and emerging channels of trade and potentially mitigate any unfavorable impacts on our future results.

Results of Operations – Consolidated Review

Consolidated Results

Volume

Volume is one of the key metrics management uses internally to make operating and strategic decisions, including the preparation of our annual operating plan and the evaluation of our business performance. We believe volume provides additional information to facilitate the comparison of our historical operating performance and underlying trends, and provides additional transparency on how we evaluate our business because it measures demand for our products at the consumer level. Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Financial Results – Volume” included in our 2019 Form 10-K for further information on volume.

We report substantially all of our international beverage volume on a monthly calendar basis. The 12 weeks ended March 21, 2020 include beverage volume outside of North America for the months of January and February .

Our divisions’ physical volume measures are converted into servings based on U.S. Food and Drug Administration (FDA) recommended guidelines for single-serving sizes of food and beverage products. The FDA revised the guidelines on recommended serving size for beverage products, effective January 1, 2020. Previously, FDA guidelines recommended a serving size of 8 fluid ounces for all beverages. The revised guidelines recommend a serving size of 8 fluid ounces for beverages that consist of milk, fruit juices, nectars and fruit drinks and 12 fluid ounces for other beverages. No changes were recommended to the serving size of food products. For the 12 weeks ended March 21, 2020 , total servings increased 6%, which reflects the impact of the revised guidelines on our prior-year servings.

Consolidated Net Revenue and Operating Profit

	12 Weeks Ended		
	3/21/2020	3/23/2019	**Change**
Net revenue	**$ 13,881**	$ 12,884	**8 %**
Operating profit	**$ 1,924**	$ 2,008	**(4)%**
Operating profit margin	**13.9%**	15.6%	**(1.7)**

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

We estimate that changes in consumer consumption patterns arising from the COVID-19 pandemic contributed approximately 2 percentage points to net revenue and organic revenue growth. This estimate of the COVID-19 impact to reported net revenue and organic revenue growth is based on our internal analysis of expected revenue performance as reflected in our internal records before and after when we believe, based on information currently available to us, the primary markets in each segment appear to have experienced changes in consumer patterns in response to the spread of COVID-19.

Operating profit decreased 4% and operating profit margin decreased 1.7 percentage points. Operating profit performance was primarily driven by a 10-percentage-point impact of an unfavorable mark-to-market net impact on commodity derivatives, primarily related to fuel-related derivatives, included in corporate unallocated expenses (see “Items Affecting Comparability”). Net revenue growth and productivity savings positively contributed to operating profit performance and were partially offset by certain operating cost increases and higher advertising and marketing expenses. Additionally, certain charges taken in connection with COVID-19 negatively impacted operating profit performance by 7 percentage points.

Results of Operations – Division Review

As previously disclosed in our 2019 Form 10-K, our historical segment reporting presented in this report has been retrospectively revised to reflect the new organizational structure. These changes did not impact our consolidated financial results.

While our financial results in North America are reported on a 12-week basis, substantially all of our international operations report on a monthly calendar basis for which the months of January and February are reflected in our results for the 12 weeks ended March 21, 2020 .

See “Non-GAAP Measures” and “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding measures not in accordance with GAAP.

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

Net Revenue and Organic Revenue Growth

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

	12 Weeks Ended 3/21/2020					
		Impact of			Impact of	
	Reported % Change, GAAP Measure	Foreign exchange translation	Acquisitions and divestitures	Organic % Change, Non-GAAP Measure [(a)]	Volume [(b)]	Effective net pricing
FLNA	**7%**	—	—	**7%**	5	2
QFNA	**7%**	—	—	**7%**	8	(2)
PBNA	**7%**	—	(1)	**6%**	7	(0.5)
LatAm	**6%**	2	—	**8%**	3	5
Europe	**14%**	—	—	**14%**	10	3
AMESA	**9%**	(1.5)	6	**14%**	10	3
APAC	**6%**	2	—	**7%**	1	7
Total	**8%**	—	—	**8%**	6	2

(a) Amounts may not sum due to rounding.
(b) Excludes the impact of acquisitions and divestitures. In certain instances, volume growth varies from the amounts disclosed in the following divisional discussions due to nonconsolidated joint venture volume, and, for our beverage businesses, temporary timing differences between bottler case sales and concentrate shipments and equivalents (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 franchise-owned beverage businesses, is based on CSE.

Operating Profit, Operating Profit Adjusted for Items Affecting Comparability and Operating Profit Growth Adjusted for Items Affecting Comparability on a Constant Currency Basis

Operating profit adjusted for items affecting comparability and operating profit growth adjusted for items affecting comparability on a constant currency basis are both non-GAAP financial measures. For further information on these measures see “Non-GAAP Measures” and “Items Affecting Comparability.”

Operating Profit and Operating Profit Adjusted for Items Affecting Comparability

	12 Weeks Ended 3/21/2020				
		Items Affecting Comparability [(a)]			
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Merger and integration charges	Core, Non-GAAP Measure
FLNA [(b)]	**$ 1,202**	$ —	$ 5	$ 23	**$ 1,230**
QFNA [(b)]	**150**	—	1	—	**151**
PBNA [(b)]	**297**	—	3	—	**300**
LatAm	**231**	—	5	—	**236**
Europe [(b)]	**146**	—	8	—	**154**
AMESA	**134**	—	2	2	**138**
APAC [(b)]	**142**	—	—	—	**142**
Corporate unallocated expenses	**(378)**	142	8	—	**(228)**
Total	**$ 1,924**	$ 142	$ 32	$ 25	**$ 2,123**

(a) See “Items Affecting Comparability.”
(b) In the 12 weeks ended March 21, 2020, reported and core operating profit includes $143 million of certain charges taken as a result of the COVID-19 pandemic, including $68 million of incremental allowances for expected credit losses ($21 million in FLNA, $2 million in QFNA, $41 million in PBNA and $4 million in Europe), $44 million of write-downs against upfront payments to customers in PBNA, $26 million of inventory write-downs and product returns ($3 million in FLNA, $22 million in PBNA and $1 million in APAC) and $5 million of certain other charges ($3 million in FLNA, $1 million in PBNA and $1 million in APAC).

	12 Weeks Ended 3/23/2019				
		Items Affecting Comparability (a)			
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core, Non-GAAP Measure
FLNA	$ 1,159	$ —	$ —	$ —	$ 1,159
QFNA	138	—	—	—	138
PBNA	389	—	6	—	395
LatAm	230	—	—	—	230
Europe	115	—	6	15	136
AMESA	105	—	8	—	113
APAC	106	—	3	—	109
Corporate unallocated expenses	(234)	(60)	8	—	(286)
Total	$ 2,008	$ (60)	$ 31	$ 15	$ 1,994

(a) See "Items Affecting Comparability."

Operating Profit Growth and Operating Profit Growth Adjusted for Items Affecting Comparability on a Constant Currency Basis

	12 Weeks Ended 3/21/2020						
		Impact of Items Affecting Comparability (a)				**Impact of**	
	Reported % Change, GAAP Measure	**Mark-to-market net impact**	**Restructuring and impairment charges**	**Inventory fair value adjustments and merger and integration charges**	**Core % Change, Non-GAAP Measure (b)**	**Foreign exchange translation**	**Core Constant Currency % Change, Non-GAAP Measure (b)**
FLNA	**4 %**	—	—	2	**6 %**	—	**6 %**
QFNA	**8 %**	—	0.5	—	**9 %**	—	**9 %**
PBNA	**(24)%**	—	—	—	**(24)%**	—	**(24)%**
LatAm	**1 %**	—	2	—	**3 %**	—	**3 %**
Europe	**28 %**	—	1	(15)	**13 %**	—	**13 %**
AMESA	**26 %**	—	(8)	3	**21 %**	(1)	**20 %**
APAC	**33 %**	—	(3)	—	**31 %**	1	**32 %**
Corporate unallocated expenses	**61 %**	(82)	—	—	**(20)%**	—	**(20)%**
Total	**(4)%**	10	—	0.5	**6 %**	—	**6 %**

(a) See "Items Affecting Comparability" for further information.
(b) Amounts may not sum due to rounding.

FLNA

Net revenue grew 7% and volume grew 5%. The net revenue growth was primarily driven by the volume growth and effective net pricing. The volume growth primarily reflects double-digit growth in trademark Cheetos and Tostitos, and in variety packs, partially offset by a high-single-digit decline in trademark Santitas. The COVID-19 pandemic drove an increase in consumer demand, which had a positive impact on both net revenue and volume growth .

Operating profit increased 4%, primarily reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases, including a 2-percentage-point impact of certain charges taken as a result of the COVID-19 pandemic. Merger and integration charges related to our acquisition of BFY Brands reduced operating profit growth by 2 percentage points.

QFNA

Net revenue grew 7% and volume grew 8%. The net revenue growth reflects the volume growth, partially offset by unfavorable net pricing and mix. The volume growth was broad-based across our product portfolio, and was primarily driven by double-digit growth in oatmeal, ready-to-eat cereals and trademark Roni. The COVID-19 pandemic drove an increase in consumer demand, which had a positive impact on both net revenue and volume growth .

Operating profit grew 8%, reflecting the volume growth and productivity savings, partially offset by certain operating cost increases, unfavorable net pricing and higher advertising and marketing expenses.

PBNA

Net revenue grew 7%, driven by an increase in volume, partially offset by unfavorable net pricing. Volume increased 6%, driven by a 14% increase in non-carbonated beverage (NCB) volume and a slight increase in carbonated soft drink volume. The NCB volume increase primarily reflected double-digit increases in both our overall water portfolio and Gatorade sports drinks and a mid-single-digit increase in Lipton ready-to-drink teas. The COVID-19 pandemic drove an increase in consumer demand, which had a positive impact on both net revenue and volume growth. In addition, acquisitions contributed 1 percentage point to the net revenue growth.

Operating profit decreased 24%, primarily reflecting a 27-percentage-point impact of certain charges taken as a result of the COVID-19 pandemic. The positive impact of the COVID-19 pandemic on consumer demand partially offset the decline in operating profit performance. In addition, o perating cost increases, including incremental information technology costs, as well as higher advertising and marketing expenses were partially offset by the volume growth and productivity savings.

LatAm

Net revenue increased 6%, reflecting effective net pricing and volume growth, partially offset by a 2-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 2.5%, reflecting mid-single-digit growth in Mexico, partially offset by a low-single-digit decline in Brazil.

Beverage volume grew 5%, reflecting double-digit growth in Chile and mid-single-digit growth in Mexico, partially offset by a mid-single-digit decline in Colombia and a low-single-digit decline in Honduras. Additionally, Brazil and Guatemala each experienced low-single-digit growth and Argentina experienced mid-single-digit growth.

Operating profit increased 1%, reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases, higher advertising and marketing expenses and a 3-percentage-point impact of higher commodity costs. Additionally, the impact of a prior-year insurance settlement recovery related to the 2017 earthquake in Mexico reduced operating profit growth by 14 percentage points. Higher restructuring charges reduced operating profit by 2 percentage points.

Europe

Net revenue increased 14%, reflecting volume growth and effective net pricing. SodaStream contributed 6 percentage points to net revenue growth, which included the benefit of an extra month of sales as we aligned SodaStream's reporting calendar with that of the Europe division. Since being acquired in the fourth quarter of 2018, SodaStream had been reporting on a one-month lag.

Snacks volume grew 5%, reflecting high-single-digit growth in the United Kingdom and France, double-digit growth in Turkey and mid-single-digit growth in Poland, partially offset by a low-single-digit decline in Russia. Additionally, the Netherlands experienced slight growth and Spain experienced low-single-digit growth.

Beverage volume grew 13%, reflecting double-digit growth in France, Germany and Turkey, partially offset by a low-single-digit decline in Russia. Additionally, Poland experienced mid-single-digit growth and the United Kingdom experienced high-single-digit growth.

Operating profit increased 28%, reflecting the net revenue growth, productivity savings, a 15-percentage-point impact of the prior-year inventory fair value adjustments and merger and integration charges associated with our SodaStream acquisition and an 8-percentage-point impact of lower commodity costs, largely due to transaction-related foreign exchange. These impacts were partially offset by certain operating cost increases, higher advertising and marketing expenses and a 14-percentage-point impact of a prior-year insurance settlement recovery in Russia.

AMESA

Net revenue increased 9%, reflecting volume growth and effective net pricing, partially offset by a 6-percentage-point impact of a prior-year refranchising of a portion of our beverage business in India.

Snacks volume grew 13%, reflecting double-digit growth in India and Pakistan. Additionally, the Middle East experienced double-digit growth and South Africa experienced mid-single-digit growth.

Beverage volume grew 11%, reflecting double-digit growth in India and Nigeria. Additionally, Pakistan and the Middle East each experienced high-single-digit growth.

Operating profit increased 26%, reflecting the net revenue growth, productivity savings and a 5-percentage-point impact of the prior-year refranchising of a portion of our beverage business in India. These impacts were partially offset by certain operating cost increases and higher advertising and marketing expenses. Lower restructuring and impairment charges contributed 8 percentage points to operating profit growth.

APAC

Net revenue increased 6%, reflecting effective net pricing and net volume growth, partially offset by a 2-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 3.5%, reflecting double-digit growth in Indonesia and mid-single-digit growth in Australia, partially offset by a low-single-digit decline in China and a slight decline in Taiwan. Additionally, Thailand experienced low-single-digit growth.

Beverage volume declined 2%, reflecting a mid-single-digit decline in China, partially offset by double-digit growth in the Philippines, mid-single-digit growth in Vietnam and low-single-digit growth in Thailand.

Operating profit increased 33%, reflecting the net revenue growth, productivity savings and a 3-percentage- point impact of lower commodity costs, partially offset by certain operating cost increases. Lower restructuring and impairment charges contributed 3 percentage points to operating profit growth.

Other Consolidated Results

	12 Weeks Ended		
	3/21/2020	3/23/2019	**Change**
Other pension and retiree medical benefits income	**$ 77**	$ 64	**$ 13**
Net interest expense and other	**$ (290)**	$ (204)	**$ (86)**
Tax rate	**21.0%**	23.9%	
Net income attributable to PepsiCo	**$ 1,338**	$ 1,413	**(5)%**
Net income attributable to PepsiCo per common share – diluted	**$ 0.96**	$ 1.00	**(4)%**
Mark-to-market net impact	**0.08**	(0.03)	
Restructuring and impairment charges	**0.02**	0.02	
Inventory fair value adjustments and merger and integration charges	**0.02**	0.01	
Net tax related to the TCJ Act	**—**	(0.02)	
Net income attributable to PepsiCo per common share – diluted, excluding above items [(a)]	**$ 1.07** [(b)]	$ 0.97 [(b)]	**10 %**
Impact of foreign exchange translation			**—**
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis [(a)]			**10 %**

(a) See “Non-GAAP Measures.”
(b) Does not sum due to rounding.

Other pension and retiree medical benefits income increased $13 million , reflecting the recognition of fixed income gains on plan assets and the impact of approved plan contributions, partially offset by the decrease in discount rates.

Net interest expense and other increased $86 million , reflecting losses on the market value of investments used to economically hedge a portion of our deferred compensation liability, as well as lower interest income due to lower interest rates on average cash balances. These impacts were partially offset by lower interest expense due to lower interest rates on average debt balances.

The reported tax rate decreased 2.9 percentage points, primarily reflecting the prior-year increase in reserves for uncertain tax positions in foreign jurisdictions. This impact was partially offset by the prior-year net tax related to the TCJ Act, which increased the current-year reported tax rate by 1.5 percentage points.

Net income attributable to PepsiCo decreased 5% and net income attributable to PepsiCo per common share decreased 4% . Items affecting comparability (see “Items Affecting Comparability”) negatively impacted net income attributable to PepsiCo performance by 14 percentage points and net income attributable to PepsiCo per common share performance by 15 percentage points.

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. 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 plans; amounts associated with mergers, acquisitions, divestitures and other structural changes; pension and retiree medical related items; charges or adjustments related to the enactment of new laws, rules or regulations, such as significant tax law changes; amounts related to the resolution of tax positions; tax benefits related to reorganizations of our operations; debt redemptions, cash tender or exchange offers; 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 contained in this Form 10-Q are discussed below:

Cost of sales, gross profit, selling, general and administrative expenses, other pension and retiree medical benefits income, provision for income taxes and net income attributable to PepsiCo, 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

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 2019 Productivity Plan, inventory fair value adjustments and merger and integration charges associated with our acquisitions and net tax related to the TCJ Act (see “Items Affecting Comparability” for a detailed description of each of these items). 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, each 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 growth

We define organic revenue growth as net revenue growth adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes. We believe organic revenue growth 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 “Net Revenue and Organic Revenue Growth” in “Results of Operations – Division Review” for further information.

Free cash flow

We define free cash flow as net cash used for 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” for further information.

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 3/21/2020						
	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	$ 6,127	$ 7,754	$ 5,830	$ 1,924	$ 77	$ 360	$ 1,338
Items Affecting Comparability							
Mark-to-market net impact	(38)	38	(104)	142	—	35	107
Restructuring and impairment charges	(2)	2	(30)	32	6	6	32
Merger and integration charges	—	—	(25)	25	—	3	22
Core, Non-GAAP Measure	**$ 6,087**	**$ 7,794**	**$ 5,671**	**$ 2,123**	**$ 83**	**$ 404**	**$ 1,499**

	12 Weeks Ended 3/23/2019						
	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	$ 5,688	$ 7,196	$ 5,188	$ 2,008	$ 64	$ 446	$ 1,413
Items Affecting Comparability							
Mark-to-market net impact	19	(19)	41	(60)	—	(14)	(46)
Restructuring and impairment charges	(8)	8	(23)	31	(5)	3	23
Inventory fair value adjustments and merger and integration charges	(14)	14	(1)	15	—	2	13
Net tax related to the TCJ Act	—	—	—	—	—	29	(29)
Core, Non-GAAP Measure	$ 5,685	$ 7,199	$ 5,205	$ 1,994	$ 59	$ 466	$ 1,374

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

Mark-to-Market Net Impact

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include energy, agricultural products 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

2019 Multi-Year Productivity Plan

In connection with our 2019 Productivity Plan, we expect to incur pre-tax charges of approximately $2.5 billion, of which we have incurred $546 million plan to date through March 21, 2020 and cash expenditures of approximately $1.6 billion, of which we have incurred approximately $321 million plan to date through March 21, 2020 . We expect to incur pre-tax charges of approximately $400 million and cash expenditures of approximately $350 million for the remainder of 2020 , with the balance to be reflected in our 2021 through 2023 financial results. These charges will be funded primarily through cash from operations. We expect to incur the majority of the remaining pre-tax charges and cash expenditures in our 2020 and 2021 results.

See Note 3 to our condensed consolidated financial statements in this Form 10-Q, as well as Note 3 to our consolidated financial statements in our 2019 Form 10-K for further information related to our 2019 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.

Inventory Fair Value Adjustments and Merger and Integration Charges

In the 12 weeks ended March 21, 2020 , we recorded merger and integration charges of $25 million ($22 million after-tax or $ 0.02 per share), including $23 million in our FLNA segment related to our acquisition of BFY Brands and $2 million in our AMESA segment related to our acquisition of Pioneer Foods. These charges primarily relate to contract termination and employee-related costs .

In the 12 weeks ended March 23, 2019, we recorded inventory fair value adjustments and merger and integration charges of $15 million ($0.01 per share) in our Europe segment, primarily related to fair value adjustments to the acquired inventory included in SodaStream's balance sheet at acquisition date .

Net Tax Related to the TCJ Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. We recognized tax benefits of $29 million ($0.02 per share) in the 12 weeks ended March 23, 2019 related to the TCJ Act.

See Note 5 to our condensed consolidated financial statements for further information.

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities, bridge loan facilities, working capital lines 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, debt repayments, payments for acquisitions and the transition tax liability under the TCJ Act, include cash from operations, proceeds obtained from issuances of commercial paper, bridge loan facilities and long-term debt, and cash and cash equivalents. Our sources and uses of cash were not materially impacted by COVID-19 in the 12 weeks ended March 21, 2020 and, to date, we have not identified any material liquidity deficiencies as a result of the COVID-19 pandemic. Based on the information currently available to us, we do not expect the impact of COVID-19 to have a material impact on our liquidity. We will continue to monitor and assess the impact COVID-19 may have on our business and financial results. See "Item 1A. Risk Factors," "Our Business Risks" and Note 8 to our condensed consolidated financial statements 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," as well as Note 8 to our consolidated financial statements included in our 2019 Form 10-K for further information.

As of March 21, 2020 , cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

The TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings. As of March 21, 2020 , our mandatory transition tax liability was $3.3 billion, which must be paid through 2026 under the provisions of the TCJ Act. See Note 5 to our condensed consolidated financial statements for further discussion of the TCJ Act.

The CARES Act was enacted during our second quarter of 2020 and includes several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act, and estimated income tax payments that we expect to defer to future periods. We do not currently expect this legislation to have a material detrimental impact on our liquidity. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results.

Operating Activities

During the 12 weeks ended March 21, 2020 , net cash used for operating activities was $0.7 billion , compared to net cash used for operating activities of $0.3 billion in the prior-year period. The operating cash flow performance primarily reflects unfavorable working capital comparisons to 2019.

Investing Activities

During the 12 weeks ended March 21, 2020 , net cash used for investing activities was $0.9 billion , primarily reflecting net capital spending of $0.5 billion and acquisitions of $0.5 billion.

In light of the potential impact of the COVID-19 pandemic on our business, we are currently reviewing our plans with respect to net capital spending.

Financing Activities

During the 12 weeks ended March 21, 2020 , net cash provided by financing activities was $7.5 billion , primarily reflecting proceeds from issuances of long-term debt of $6.4 billion and net proceeds of short-term borrowings of $3.0 billion, partially offset by the return of operating cash flow to our shareholders through dividend payments and share repurchases of $1.9 billion.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 13, 2018, we announced the 2018 share repurchase program providing for the repurchase of up to $15.0 billion of PepsiCo common stock which commenced on July 1, 2018 and will expire on June 30, 2021. On February 13, 2020, we announced a 7% increase in our annualized dividend to $4.09 per share from $3.82 per share, effective with the dividend expected to be paid in June 2020 . We expect to return a total of approximately $7.5 billion to shareholders in 2020 through share repurchases of approximately $2 billion and dividends of approximately $5.5 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

The table below reconciles net cash used for operating activities, as reflected on our cash flow statement, to our free cash flow. Free cash flow is a non-GAAP financial measure. For further information on free cash flow see “Non-GAAP Measures.”

	12 Weeks Ended	
	3/21/2020	3/23/2019
Net cash used for operating activities, GAAP measure	**$ (749)**	$ (345)
Capital spending	**(484)**	(442)
Sales of property, plant and equipment	**5**	2
Free cash flow, non-GAAP measure	**$ (1,228)**	$ (785)

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 2019 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, “Item 1A. Risk Factors” 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 2019 Form 10-K for further information.

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 21, 2020 , the related Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the 12 weeks ended March 21, 2020 and March 23, 2019 , 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 28, 2019 , 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, 2020, 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 28, 2019 , 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 28, 2020

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Item 1A. Risk Factors” and “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 2019 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 SEC 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 quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our first quarter of 2020 , 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 addition, in connection with our 2019 Productivity Plan, we continue to migrate to shared business models across our operations to further simplify, harmonize and automate processes. 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. These transitions have not materially affected, and we do not expect them 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 2019 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 1A. Risk Factors" in this Form 10-Q and "Item 1. Business – Regulatory Matters" and "Item 1A. Risk Factors" in our 2019 Form 10-K.

ITEM 1A. Risk Factors.

The following additional risk factor relating to COVID-19 should be read in conjunction with the risk factors set forth under "Item 1A. Risk Factors" in our 2019 Form 10-K. The developments described in this additional risk factor have heightened, or in some cases manifested, certain of the risks disclosed in the risk factor section of our 2019 Form 10-K, and such risk factors are further qualified by the information relating to COVID-19 that is described in this Form 10-Q, including in the additional risk factor below. Except as described herein, there have been no material changes with respect to the risk factors disclosed in our 2019 Form 10-K.

You should carefully consider the risks described below and in our 2019 Form 10-K in addition to the other information set forth in this Form 10-Q and in our 2019 Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations sections and the consolidated financial statements and related notes. These risks, some of which have occurred and any of which may occur in the future, can have a material adverse effect on our business, financial condition, results of operations or the prices of our publicly traded securities. The risks described below and in our 2019 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may occur or become material in the future and adversely affect our business, reputation, financial condition, results of operations or the prices of our publicly traded securities. Therefore, historical operating results, financial and business performance, events and trends are often not a reliable indicator of future operating results, financial and business performance, events or trends.

The impact of the spread of COVID-19 is creating significant uncertainty for our business, financial condition and results of operations and for the prices of our publicly traded securities.

The extent of the impact of the COVID-19 pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and which all will vary by market, including the duration and scope of the pandemic, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in consumer behavior in response to the pandemic, some of which may be more than just temporary.

Our global operations expose us to risks associated with the COVID-19 pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to almost all of the countries in which our products are made, manufactured, distributed or sold. Authorities in many of these markets have implemented numerous measures to stall the spread of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place orders, and business shutdowns. These measures have impacted and will further impact us, our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties with whom we do business. There is considerable uncertainty regarding how these measures and future measures in response to the pandemic will impact our business, including whether they will result in further changes in demand for our products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs or otherwise), how they will further impact our supply chain and whether they will result in further reduced availability of air or other commercial transport, port closures or border restrictions, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely. If a significant percentage of our or our business partners' workforce is unable to work, including because of illness, facility closures, quarantine, curfews, shelter in place orders, travel restrictions or other governmental restrictions, our operations will be negatively impacted. Any sustained interruption in our or our business partners' operations, distribution network or supply chain or any significant continuous shortage of raw materials or other supplies as a result of these measures, restrictions or disruptions can impair our ability to make, manufacture, distribute or sell our products. Compliance with governmental measures imposed in response to COVID-19 has caused and may continue to cause us to incur additional costs, and any inability to comply with such measures can subject us to restrictions on our business activities, fines, and other penalties, any of which can adversely affect our business. In addition, the increase in certain of our employees working remotely has amplified certain risks to our business, including increased demand on our information technology resources and systems, increased phishing and other cybersecurity attacks as cybercriminals try to exploit the uncertainty surrounding the COVID-19 pandemic, and an increase in the number of points of potential attack, such as laptops and mobile devices (both of which are now being used in increased numbers), to be secured, and any failure to effectively manage these risks, including to timely identify and appropriately respond to any cyberattacks, may adversely affect our business.

Public concern regarding the risk of contracting COVID-19 impacts demand from consumers, including due to consumers not leaving their homes or otherwise shopping in a different manner than they historically have or because some of our consumers have lower discretionary income due to unemployment or reduced or limited work as a result of measures taken in response to the pandemic. As we sell a wide variety of beverages, foods and snacks in more than 200 countries and territories, the profile of the products we sell and the amount of revenue attributable to such products varies by jurisdiction and changes in demand as a result of COVID-19 will vary in scope and timing across these markets. In addition, changes in consumer purchasing and consumption patterns may increase demand for our products in one quarter, resulting in decreased consumer demand for our products in subsequent quarters, or in one sales channel resulting in potentially reduced profit from sales of our products. For example, to date, we have seen a shift in product and channel preferences, including an increase in at-home consumption and a decrease in immediate consumption and away-from-home channels, such as convenience and gas and foodservice, which negatively impacts our beverage businesses. Any reduced demand for our products or change in consumer purchasing and consumption patterns, as well as continued economic uncertainty, can adversely affect our customers' and business partners' financial condition, resulting in an inability to pay for our products, reduced or canceled orders of our products, closing of restaurants, stores, entertainment or sports complexes or other venues in which our products are sold, or our business partners' inability to supply us with ingredients or other items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition may also result in our recording additional impairment charges for our inability to recover or collect any accounts receivable, owned or leased assets, including certain foodservice and vending and other equipment, or prepaid expenses. In addition, economic uncertainty associated with the COVID-19 pandemic has resulted in volatility in the global capital and credit markets which can impair our ability to access these markets on terms commercially acceptable to us, or at all.

While we have developed and implemented and continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols in an effort to try to mitigate the negative impact of COVID-19 on our employees and our business, there can be no assurance that we will be successful in our efforts, and as a result, our business, financial condition and results of operations and the prices of our publicly traded securities may be adversely affected.

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 2020 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
12/28/2019				$ 11,084
12/29/2019 - 1/25/2020	1.4	$ 137.58	1.4	(193)
				10,891
1/26/2020 - 2/22/2020	1.0	$ 143.47	1.0	(144)
				10,747
2/23/2020 - 3/21/2020	2.1	$ 128.00	2.1	(265)
Total	**4.5**	**$ 134.47**	**4.5**	**$ 10,482**

(a) All shares were repurchased in open market transactions pursuant to the $15 billion share repurchase program authorized by our Board of Directors and publicly announced on February 13, 2018, which commenced on July 1, 2018 and will expire on June 30, 2021. Shares repurchased under this program may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

ITEM 6. Exhibits.

See “Index to Exhibits” on page 43 .

INDEX TO EXHIBITS
ITEM 6

EXHIBIT	
Exhibit 3.1	Amended and Restated Articles of Incorporation of PepsiCo, Inc., effective as of May 1, 2019, 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 3, 2019.
Exhibit 3.2	By-Laws of PepsiCo, Inc., as amended and restated, effective as of April 15, 2020, 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 April 16, 2020.
Exhibit 10.1	Form of Annual Long-Term Incentive Agreement.
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 21, 2020 formatted in iXBRL (Inline 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.
Exhibit 104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 21, 2020, formatted in iXBRL and contained in Exhibit 101.

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 28, 2020	/s/ Marie T. Gallagher Marie T. Gallagher Senior Vice President and Controller (Principal Accounting Officer)
Date:	April 28, 2020	/s/ David Yawman David Yawman Executive Vice President, Government Affairs, General Counsel and Corporate Secretary (Duly Authorized Officer)

Exhibit 10.1

2020 PEPSICO ANNUAL LONG-TERM INCENTIVE AWARD

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

These Terms and Conditions (including the country-specific terms set forth in the attached Addendum), along with the 2020 PepsiCo Annual Long-Term Incentive Award Summary provided to the Participant (the " **Award Summary** "), and signed by the individual named on the Award Summary (the " **Participant** "), 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 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 on 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 " **PSU 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. 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 PSU Payment Date. Any PSUs that are not earned in accordance with this Paragraph A.3 shall be forfeited and cancelled.

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 PSU 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 PSU Vesting Date (the " **PSU Vesting Period** "). All PSUs that vest in accordance with the foregoing sentence shall remain subject to the earning and forfeiture provisions of Paragraph A.3 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 Paragraph A.3 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 vesting, 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 PSU 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 PSU Vesting Period while (and to the extent) the PSUs remain outstanding and unpaid. For purposes of determining the dividend equivalents accumulated under this Paragraph A.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 25 th 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 LTC 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 Paragraph 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 Paragraph 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 vesting, 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 or as permitted below with respect to Protected Activity.

Notwithstanding the foregoing, 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: (1) limit the Participant's rights to make truthful statements or disclosures about any facts and circumstances related to any claim or allegation of unlawful discrimination by the Company; (2) bar the Participant from giving testimony pursuant to a compulsory legal process or as otherwise required by law; or (3) prohibit Participant from, without notice to the Company, communicating with government agencies, providing information to government agencies, participating in government agency investigations, filing a complaint or charge with government agencies, or testifying in government agency proceedings concerning any possible legal violations or from receiving a monetary award for information provided to a government agency collectively, "Protected Activity"). The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Further, notwithstanding any confidentiality provision to which the Participant may be subject, the Participant is hereby advised as follows 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 or her 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 engaging in Protected Activity, (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/or

(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: in-home and commercial beverage systems, carbon dioxide gas cylinders, carbon dioxide gas refills, consumables, and ready-to-drink beverages, including without limitation carbonated soft drinks, tea, water, juices, juice drinks, juice products sports drinks, coffee drinks, and energy drinks; dairy products; snacks, including salty snacks, fruit and vegetable snacks, dips and spreads, sweet snacks, meat snacks, granola, nutrition and cereal bars, and cookies; hot cereals and ready-to-eat cereals; pancake mixes and pancake syrup; grain-based food products; pasta products; sports performance nutrition products, including without limitation, energy, protein, carbohydrate, nutrition and meal replacement chews, bars, powders, gels, drinks or drink mixes; 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 of PepsiCo Common Stock . 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). The Committee shall have full power and authority to administer and interpret the Plan and to adopt or establish such rules, regulations, agreements, guidelines, procedures and instruments that are not contrary to the terms of the Plan and that, in its opinion, may be necessary or advisable for the administration and operation of the Plan. 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) the 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) for purposes of this Agreement, a Participant will be considered actively employed during (i) the first six months of an authorized leave of absence approved by the Company, in its sole discretion, or (ii) other statutory leaves that have requirements in excess of six months;

(h) 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;

(i) 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 Code 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 Code 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

(j) 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, cancelled, purchased, vested, or unvested (collectively “Personal Data”). The Company and the Participant’s employer will transfer Personal Data internally as necessary for the purpose of implementation, administration and management of the Participant’s participation in the Plan and the Company and/or the Participant’s employer may further transfer Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. The Participant hereby authorizes (where required under applicable law) the recipients to receive, possess, use, retain and transfer Personal Data, in electronic or other form, as may be required for the administration of the Plan and/or the subsequent holding of any shares of PepsiCo Common Stock on the Participant’s behalf, to a broker or other third party with whom the Participant may elect to deposit any shares of PepsiCo Common Stock acquired pursuant to the Plan. 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. The Participant may, at any time, exercise the Participant's rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of Personal Data, (ii) verify the content, origin and accuracy of Personal Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of Personal Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Personal Data which is not necessary or required for the implementation, administration and/or operation of the Plan and the Participant's participation in the Plan, and (v) withdraw the Participant's consent to the collection, processing or transfer of Personal Data as provided hereunder (in which case, the stock options, restricted stock units, performance stock units or any other entitlement to shares of PepsiCo Common Stock awarded will become null and void). The Participant may seek to exercise these rights by contacting the Participant's Human Resources manager or the Company's Human Resources Department, who may direct the matter to the applicable Company privacy official. Finally, the Participant understands that the Company may rely on a different legal basis for the processing and/or transfer of Personal Data in the future and/or request the Participant to provide another data privacy consent. If applicable and upon request of the Company, the Participant agrees to provide an executed acknowledgment or data privacy consent (or any other acknowledgments, agreements or consents) to the Company or the employer that the Company and/or the employer may deem necessary to obtain under the data privacy laws in the Participant's country, either now or in the future. The Participant understands that the Participant will not be able to participate in the Plan if the Participant fails to execute any such acknowledgment or consent requested by the Company and/or the employer.

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; Attorneys’ Fees . 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. In the event that a Participant or the Company brings an action to enforce the terms of the Plan or any Award Agreement and the Company prevails, the Participant shall pay all costs and expenses incurred by the Company in connection with that action, including reasonable attorneys' fees, and all further costs and fees, including reasonable attorneys' fees incurred by the Company in connection with the collection.

18. Addendum to Agreement . Notwithstanding any provisions of this Agreement to the contrary, the PSUs shall be subject to such special terms and conditions for the Participant's country of residence (and country of employment, if different), as are set forth in the addendum to this Agreement (the " **Addendum** "). Further, if the Participant transfers residency and/or employment to another country, any special terms and conditions for such country will apply to the PSUs to the extent the Committee or its duly authorized delegate determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules or regulations or to facilitate the operation and administration of the PSUs and the Plan (or the Committee or its duly authorized delegate may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). In all circumstances, the Addendum shall constitute part of this Agreement.

19. 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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EXHIBIT 15

Accountant's Acknowledgement

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

We hereby acknowledge our awareness of the use of our report dated April 28, 2020 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 21, 2020 , and incorporated by reference in the following Registration Statements and in the related Prospectuses:

<u>Description, Registration Statement Number</u>

<u>Form S-3</u>

- PepsiCo Automatic Shelf Registration Statement, 333-234767
- 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

<u>Form S-8</u>

- The PepsiCo Savings Plan, 333-76204, 333-76196, 333-150867 and 333-150868
- 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 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 28, 2020

EXHIBIT 31

CERTIFICATION

I, **Ramon L. Laguarta,** 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 28, 2020

/s/ Ramon L. Laguarta

Ramon L. Laguarta
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 28, 2020

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer

EXHIBIT 32

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

In connection with the Quarterly Report of PepsiCo, Inc. (the “Corporation”) on Form 10-Q for the quarterly period ended March 21, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ramon L. Laguarta, 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 28, 2020

/s/ Ramon L. Laguarta

Ramon L. Laguarta
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 21, 2020 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 28, 2020

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer