

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

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 8, 2012 (36 weeks)

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-1183



PepsiCo, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction of  
Incorporation or Organization)

13-1584302

(I.R.S. Employer  
Identification No.)

700 Anderson Hill Road, Purchase, New York

(Address of Principal Executive Offices)

10577

(Zip Code)

914-253-2000

(Registrant's Telephone Number, Including Area Code)

N/A

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Number of shares of Common Stock outstanding as of October 10, 2012: 1,546,853,502



**PEPSICO, INC. AND SUBSIDIARIES**

**INDEX**

	<u>Page No.</u>
Part I Financial Information	
<a href="#">Condensed Consolidated Statement of Income – 12 and 36 Weeks Ended September 8, 2012 and September 3, 2011</a>	<a href="#">3</a>
<a href="#">Condensed Consolidated Statement of Comprehensive Income – 12 and 36 Weeks Ended September 8, 2012 and September 3, 2011</a>	<a href="#">4</a>
<a href="#">Condensed Consolidated Statement of Cash Flows – 36 Weeks Ended September 8, 2012 and September 3, 2011</a>	<a href="#">5</a>
<a href="#">Condensed Consolidated Balance Sheet – September 8, 2012 and December 31, 2011</a>	<a href="#">7</a>
<a href="#">Condensed Consolidated Statement of Equity – 36 Weeks Ended September 8, 2012 and September 3, 2011</a>	<a href="#">9</a>
<a href="#">Notes to the Condensed Consolidated Financial Statements</a>	<a href="#">10</a>
<a href="#">Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">27</a>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">47</a>
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">48</a>
<a href="#">Item 4. Controls and Procedures</a>	<a href="#">48</a>
Part II Other Information	
<a href="#">Item 1. Legal Proceedings</a>	<a href="#">49</a>
<a href="#">Item 1A. Risk Factors</a>	<a href="#">49</a>
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">49</a>
<a href="#">Item 6. Exhibits</a>	<a href="#">50</a>

## PART I FINANCIAL INFORMATION

## ITEM 1. Condensed Consolidated Financial Statements.

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

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
<b>Net Revenue</b>	<b>\$ 16,652</b>	\$ 17,582	<b>\$ 45,538</b>	\$ 46,346
Cost of sales	7,833	8,452	21,637	21,862
Selling, general and administrative expenses	5,992	6,186	16,920	16,995
Amortization of intangible assets	27	38	82	103
<b>Operating Profit</b>	<b>2,800</b>	2,906	<b>6,899</b>	7,386
Interest expense	(204)	(205)	(611)	(584)
Interest income and other	23	(4)	47	33
Income before income taxes	2,619	2,697	6,335	6,835
Provision for income taxes	706	686	1,788	1,775
Net income	1,913	2,011	4,547	5,060
Less: Net income attributable to noncontrolling interests	11	11	30	32
<b>Net Income Attributable to PepsiCo</b>	<b>\$ 1,902</b>	\$ 2,000	<b>\$ 4,517</b>	\$ 5,028
<b>Net Income Attributable to PepsiCo per Common Share</b>				
<b>Basic</b>	<b>\$ 1.22</b>	\$ 1.27	<b>\$ 2.89</b>	\$ 3.18
<b>Diluted</b>	<b>\$ 1.21</b>	\$ 1.25	<b>\$ 2.86</b>	\$ 3.14
Weighted-average common shares outstanding				
Basic	1,556	1,578	1,562	1,581
Diluted	1,575	1,599	1,580	1,603
Cash dividends declared per common share	\$ 0.5375	\$ 0.515	\$ 1.59	\$ 1.51

See accompanying notes to the condensed consolidated financial statements.

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

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
Net Income	\$ 1,913	\$ 2,011	\$ 4,547	\$ 5,060
Other Comprehensive Income/(Loss)				
Currency translation adjustment	530	(515)	(14)	939
Cash flow hedges, net of tax:				
Net derivative losses <sup>(a)</sup>	(15)	(46)	(40)	(63)
Reclassification of net losses to net income <sup>(b)</sup>	13	4	37	11
Pension and retiree medical, net of tax:				
Reclassification of losses to net income <sup>(c)</sup>	23	26	109	49
Remeasurement of net liabilities <sup>(d)</sup>	—	—	7	—
Unrealized (losses)/gains on securities, net of tax <sup>(e)</sup>	(1)	(18)	2	(20)
Other	—	—	36	(17)
Total Other Comprehensive Income/(Loss)	550	(549)	137	899
Comprehensive Income	2,463	1,462	4,684	5,959
Comprehensive income attributable to noncontrolling interests	(11)	(8)	(24)	(101)
<b>Comprehensive Income Attributable to PepsiCo</b>	<b>\$ 2,452</b>	<b>\$ 1,454</b>	<b>\$ 4,660</b>	<b>\$ 5,858</b>

- (a) Net of tax expense of \$2 million and tax benefits of \$10 million for the 12 and 36 weeks in 2012, respectively. Net of tax benefits of \$27 million and \$21 million for the 12 and 36 weeks in 2011, respectively.
- (b) Net of tax benefits of \$7 million and \$21 million for the 12 and 36 weeks in 2012, respectively. Net of tax expense of \$3 million and \$8 million for the 12 and 36 weeks in 2011, respectively.
- (c) Net of tax benefits of \$17 million and \$61 million for the 12 and 36 weeks in 2012, respectively. Net of tax benefits of \$12 million and \$26 million for the 12 and 36 weeks in 2011, respectively.
- (d) Net of tax expense of \$4 million for the 36 weeks in 2012.
- (e) Net of tax benefits of \$6 million and \$7 million for the 12 and 36 weeks in 2011, respectively.

See accompanying notes to the condensed consolidated financial statements.

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

	36 Weeks Ended	
	9/8/2012	9/3/2011
<b>Operating Activities</b>		
Net income	\$ 4,547	\$ 5,060
Depreciation and amortization	1,837	1,877
Stock-based compensation expense	193	222
Restructuring and impairment charges	193	—
Cash payments for restructuring charges	(243)	(1)
Merger and integration charges	7	174
Cash payments for merger and integration charges	(57)	(293)
Restructuring and other charges related to the transaction with Tingyi (Cayman Islands) Holding Corp. (Tingyi)	163	—
Cash payments for restructuring and other charges related to the transaction with Tingyi	(98)	—
Excess tax benefits from share-based payment arrangements	(89)	(56)
Pension and retiree medical plan contributions	(1,253)	(185)
Pension and retiree medical plan expenses	414	389
Deferred income taxes and other tax charges and credits	283	132
Change in accounts and notes receivable	(1,300)	(1,643)
Change in inventories	(234)	(466)
Change in prepaid expenses and other current assets	(83)	(54)
Change in accounts payable and other current liabilities	281	142
Change in income taxes payable	736	936
Other, net	(179)	(400)
<b>Net Cash Provided by Operating Activities</b>	<b>5,118</b>	<b>5,834</b>
<b>Investing Activities</b>		
Capital spending	(1,409)	(1,962)
Sales of property, plant and equipment	58	46
Acquisition of Wimm-Bill-Dann Foods OJSC (WBD), net of cash and cash equivalents acquired	—	(2,428)
Investment in WBD	—	(164)
Cash payments related to the transaction with Tingyi	(298)	—
Other acquisitions and investments in noncontrolled affiliates	(76)	(160)
Divestitures	7	10
Short-term investments, by original maturity		
More than three months – maturities	—	14
Three months or less, net	(21)	(48)
Other investing, net	11	(3)
<b>Net Cash Used for Investing Activities</b>	<b>(1,728)</b>	<b>(4,695)</b>

(Continued on following page)

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

	36 Weeks Ended	
	9/8/2012	9/3/2011
<b>Financing Activities</b>		
Proceeds from issuances of long-term debt	\$ 5,207	\$ 3,000
Payments of long-term debt	(1,357)	(1,596)
Debt repurchase	—	(771)
Short-term borrowings, by original maturity		
More than three months – proceeds	53	224
More than three months – payments	(213)	(274)
Three months or less, net	(2,034)	106
Cash dividends paid	(2,470)	(2,349)
Share repurchases – common	(2,328)	(1,929)
Share repurchases – preferred	(5)	(5)
Proceeds from exercises of stock options	927	724
Excess tax benefits from share-based payment arrangements	89	56
Acquisition of noncontrolling interests	(15)	(1,327)
Other financing	(18)	(2)
<b>Net Cash Used for Financing Activities</b>	<b>(2,164)</b>	<b>(4,143)</b>
Effect of exchange rate changes on cash and cash equivalents	16	144
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1,242</b>	<b>(2,860)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>4,067</b>	<b>5,943</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 5,309</b>	<b>\$ 3,083</b>

See accompanying notes to the condensed consolidated financial statements.

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

	(Unaudited) 9/8/2012	12/31/2011
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 5,309	\$ 4,067
Short-term investments	402	358
Accounts and notes receivable, less allowance: 9/12 – \$156, 12/11 – \$157	7,998	6,912
Inventories		
Raw materials	1,930	1,883
Work-in-process	253	207
Finished goods	1,722	1,737
	<b>3,905</b>	<b>3,827</b>
Prepaid expenses and other current assets	1,656	2,277
Total Current Assets	<b>19,270</b>	<b>17,441</b>
Property, Plant and Equipment	<b>34,920</b>	<b>35,140</b>
Accumulated Depreciation	<b>(16,390)</b>	<b>(15,442)</b>
	<b>18,530</b>	<b>19,698</b>
Amortizable Intangible Assets, net	1,799	1,888
Goodwill	16,701	16,800
Other Nonamortizable Intangible Assets	14,511	14,557
Nonamortizable Intangible Assets	<b>31,212</b>	<b>31,357</b>
Investments in Noncontrolled Affiliates	1,585	1,477
Other Assets	1,621	1,021
Total Assets	<b>\$ 74,017</b>	<b>\$ 72,882</b>

(Continued on following page)



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

	(Unaudited) 9/8/2012	12/31/2011
<b>Liabilities and Equity</b>		
Current Liabilities		
Short-term obligations	\$ 4,211	\$ 6,205
Accounts payable and other current liabilities	11,722	11,757
Income taxes payable	287	192
Total Current Liabilities	16,220	18,154
Long-term Debt Obligations	23,732	20,568
Other Liabilities	7,551	8,266
Deferred Income Taxes	4,930	4,995
Total Liabilities	52,433	51,983
Commitments and Contingencies		
Preferred Stock, no par value	41	41
Repurchased Preferred Stock	(162)	(157)
PepsiCo Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share:		
Authorized 3,600 shares, issued 9/12 and 12/11 – 1,865 shares	31	31
Capital in excess of par value	4,179	4,461
Retained earnings	42,332	40,316
Accumulated other comprehensive loss	(6,086)	(6,229)
Less: repurchased common stock, at cost: 9/12 – 314 shares, 12/11 – 301 shares	(18,896)	(17,875)
Total PepsiCo Common Shareholders' Equity	21,560	20,704
Noncontrolling interests	145	311
Total Equity	21,584	20,899
Total Liabilities and Equity	\$ 74,017	\$ 72,882

See accompanying notes to the condensed consolidated financial statements.

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

	36 Weeks Ended			
	9/8/2012		9/3/2011	
	Shares	Amount	Shares	Amount
<b>Preferred Stock</b>	<b>0.8</b>	<b>\$ 41</b>	<b>0.8</b>	<b>\$ 41</b>
<b>Repurchased Preferred Stock</b>				
Balance, beginning of year	(0.6)	(157)	(0.6)	(150)
Redemptions	(–)	(5)	(–)	(5)
Balance, end of period	<b>(0.6)</b>	<b>(162)</b>	<b>(0.6)</b>	<b>(155)</b>
<b>Common Stock</b>	<b>1,865</b>	<b>31</b>	<b>1,865</b>	<b>31</b>
<b>Capital in Excess of Par Value</b>				
Balance, beginning of year		4,461		4,527
Stock-based compensation expense		193		222
Stock option exercises/RSUs converted <sup>(a)</sup>		(384)		(303)
Withholding tax on RSUs converted		(65)		(54)
Other		(26)		14
Balance, end of period		<b>4,179</b>		<b>4,406</b>
<b>Retained Earnings</b>				
Balance, beginning of year		40,316		37,090
Net income attributable to PepsiCo		4,517		5,028
Cash dividends declared – common		(2,482)		(2,388)
Cash dividends declared – preferred		(1)		(1)
Cash dividends declared – RSUs		(18)		(15)
Balance, end of period		<b>42,332</b>		<b>39,714</b>
<b>Accumulated Other Comprehensive Loss</b>				
Balance, beginning of year		(6,229)		(3,630)
Currency translation adjustment		(8)		870
Cash flow hedges, net of tax:				
Net derivative losses		(40)		(63)
Reclassification of net losses to net income		37		11
Pension and retiree medical, net of tax:				
Reclassification of net losses to net income		109		49
Remeasurement of net liabilities		7		—
Unrealized gains/(losses) on securities, net of tax		2		(20)
Other		36		(17)
Balance, end of period		<b>(6,086)</b>		<b>(2,800)</b>
<b>Repurchased Common Stock</b>				
Balance, beginning of year	(301)	(17,875)	(284)	(16,745)
Share repurchases	(35)	(2,387)	(30)	(1,970)
Stock option exercises	20	1,225	15	948
Other	2	141	2	107
Balance, end of period	<b>(314)</b>	<b>(18,896)</b>	<b>(297)</b>	<b>(17,660)</b>
<b>Total PepsiCo Common Shareholders' Equity</b>		<b>21,560</b>		<b>23,691</b>
<b>Noncontrolling Interests</b>				
Balance, beginning of year		311		312
Net income attributable to noncontrolling interests		30		32
Distributions to noncontrolling interests		(15)		(10)
Currency translation adjustment		(6)		69
Acquisitions and divestitures		(175)		23
Balance, end of period		<b>145</b>		<b>426</b>
<b>Total Equity</b>		<b>\$ 21,584</b>		<b>\$ 24,003</b>

(a) Includes total tax benefits of \$57 million in 2012 and \$35 million in 2011.

See accompanying notes to the condensed consolidated financial statements.

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

## **Basis of Presentation and Our Divisions**

---

### ***Basis of Presentation***

Our Condensed Consolidated Statements of Income and Comprehensive Income for the 12 and 36 weeks ended September 8, 2012 and September 3, 2011, our Condensed Consolidated Statements of Cash Flows for the 36 weeks ended September 8, 2012 and September 3, 2011, our Condensed Consolidated Balance Sheet as of September 8, 2012 and our Condensed Consolidated Statements of Equity for the 36 weeks ended September 8, 2012 and September 3, 2011 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks are not necessarily indicative of the results expected for the full year.

While our North America results are reported on a period calendar basis, most of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our third quarter results.

In the first quarter of 2011, Quaker Foods North America (QFNA) changed its method of accounting for certain U.S. inventories from the last-in, first-out (LIFO) method to the average cost method. This change was considered preferable by management as we believe that the average cost method of accounting for all U.S. foods inventories improves our financial reporting by better matching revenues and expenses and better reflecting the current value of inventory. In addition, the change from the LIFO method to the average cost method enhances the comparability of QFNA's financial results with our other food businesses, as well as with peer companies where the average cost method is widely used. The impact of this change on consolidated net income in the first quarter of 2011 was approximately \$9 million (or less than a penny per share).

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 and 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 material handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product are included in selling, general and administrative expenses.

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior year's amounts to conform to the 2012 presentation. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

### ***Our Divisions***

We are organized into four business units, as follows:

1. PepsiCo Americas Foods (PAF), which includes Frito-Lay North America (FLNA), Quaker Foods North America (QFNA) and all of our Latin American food and snack businesses (LAF);
2. PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;

3. PepsiCo Europe, which includes all beverage, food and snack businesses in Europe and South Africa; and
4. PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in AMEA, excluding South Africa.

Our four business units comprise six reportable segments (also referred to as divisions), as follows:

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

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
<b>Net Revenue</b>				
FLNA	\$ 3,269	\$ 3,173	\$ 9,472	\$ 9,167
QFNA	615	614	1,821	1,837
LAF	1,883	1,841	5,066	4,757
PAB	5,530	5,947	15,330	16,107
Europe	3,691	3,909	9,153	9,329
AMEA	1,664	2,098	4,696	5,149
	<u>\$ 16,652</u>	<u>\$ 17,582</u>	<u>\$ 45,538</u>	<u>\$ 46,346</u>

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
<b>Operating Profit</b>				
FLNA	\$ 917	\$ 918	\$ 2,532	\$ 2,545
QFNA	154	177	495	558
LAF	219	275	673	720
PAB	837	992	2,202	2,533
Europe	483	514	1,017	984
AMEA	317	285	630	730
Total division	<u>2,927</u>	<u>3,161</u>	<u>7,549</u>	<u>8,070</u>
<b>Corporate Unallocated</b>				
Net impact of mark-to-market on commodity hedges	121	(53)	126	(31)
Restructuring and impairment charges	(7)	—	(8)	—
Merger and integration charges	2	(10)	—	(64)
Other	(243)	(192)	(768)	(589)
	<u>\$ 2,800</u>	<u>\$ 2,906</u>	<u>\$ 6,899</u>	<u>\$ 7,386</u>

	<b>Total Assets</b>	
	<b>9/8/2012</b>	<b>12/31/2011</b>
FLNA	\$ 6,075	\$ 6,120
QFNA	1,223	1,174
LAF	4,734	4,731
PAB	31,925	31,187
Europe	18,959	18,479
AMEA	5,669	6,048
Total division	<b>68,585</b>	67,739
Corporate <sup>(a)</sup>	5,432	5,143
	<b>\$ 74,017</b>	<b>\$ 72,882</b>

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

## Acquisitions and Divestitures

### WBD

On February 3, 2011, we acquired the ordinary shares, including shares underlying American Depositary Shares (ADS) and Global Depositary Shares (GDS), of WBD, a company incorporated in the Russian Federation, which represented in the aggregate approximately 66% of WBD's outstanding ordinary shares, pursuant to the purchase agreement dated December 1, 2010 between PepsiCo and certain selling shareholders of WBD for approximately \$3.8 billion in cash. The acquisition of those shares increased our total ownership to approximately 77%, giving us a controlling interest in WBD. Under the guidance on accounting for business combinations, once a controlling interest is obtained, we are required to recognize and measure 100% of the identifiable assets acquired, liabilities assumed and noncontrolling interests at their full fair values. Our fair market valuations of the identifiable assets acquired and liabilities assumed have been completed and the final valuations did not materially differ from those fair values reported as of December 31, 2011.

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

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

### Tingyi-Asahi Beverages Holding Co Ltd

On March 31, 2012, we completed a transaction with Tingyi. Under the terms of the agreement, we contributed our company-owned and joint venture bottling operations in China to Tingyi's beverage subsidiary, Tingyi-Asahi Beverages Holding Co Ltd (TAB), and received as consideration a 5% indirect equity interest in TAB. As a result of this transaction, TAB is now our franchise bottler in China. We also have a call option to

increase our indirect holding in TAB to 20% by 2015. We recorded restructuring and other charges of \$137 million (\$163 million after-tax or \$0.10 per share), primarily consisting of employee-related charges, in our second quarter 2012 results. This charge is reflected in items affecting comparability (see “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations).

### **Intangible Assets**

	<b>9/8/2012</b>	12/31/2011
<b><i>Amortizable intangible assets, net</i></b>		
Acquired franchise rights	\$ 932	\$ 916
Reacquired franchise rights	110	110
Brands	1,432	1,417
Other identifiable intangibles	701	777
	<b>3,175</b>	3,220
Accumulated amortization	<b>(1,376)</b>	(1,332)
	<b>\$ 1,799</b>	\$ 1,888

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

	Balance 12/31/2011	Acquisitions/ Divestitures	Translation and Other	Balance 9/8/2012
<b>FLNA</b>				
Goodwill	\$ 311	\$ —	\$ 7	\$ 318
Brands	30	—	2	32
	<u>341</u>	<u>—</u>	<u>9</u>	<u>350</u>
<b>QFNA</b>				
Goodwill	175	—	—	175
<b>LAF</b>				
Goodwill	793	(83)	(17)	693
Brands	157	109	(15)	251
	<u>950</u>	<u>26</u>	<u>(32)</u>	<u>944</u>
<b>PAB</b>				
Goodwill	9,932	23	42	9,997
Reacquired franchise rights	7,342	(33)	42	7,351
Acquired franchise rights	1,562	9	3	1,574
Brands	168	—	(17)	151
	<u>19,004</u>	<u>(1)</u>	<u>70</u>	<u>19,073</u>
<b>Europe</b>				
Goodwill	4,900	78	(16)	4,962
Reacquired franchise rights	732	—	(2)	730
Acquired franchise rights	218	—	(5)	213
Brands	4,178	(96)	(21) <sup>(a)</sup>	4,061
	<u>10,028</u>	<u>(18)</u>	<u>(44)</u>	<u>9,966</u>
<b>AMEA</b>				
Goodwill	689	(142)	9	556
Brands	170	(24)	2	148
	<u>859</u>	<u>(166)</u>	<u>11</u>	<u>704</u>
Total goodwill	16,800	(124)	25	16,701
Total reacquired franchise rights	8,074	(33)	40	8,081
Total acquired franchise rights	1,780	9	(2)	1,787
Total brands	4,703	(11)	(49)	4,643
	<u>\$ 31,357</u>	<u>\$ (159)</u>	<u>\$ 14</u>	<u>\$ 31,212</u>

(a) In the 12 and 36 weeks ended September 8, 2012, we recorded an impairment charge of \$23 million, primarily related to our business operations in Greece.



## Stock-Based Compensation

In the 12 weeks ended September 8, 2012, we recognized stock-based compensation expense of \$69 million (\$68 million recorded as stock-based compensation expense and \$1 million included in merger and integration charges). In the 36 weeks ended September 8, 2012, we recognized stock-based compensation expense of \$188 million (\$193 million recorded as stock-based compensation expense, \$2 million included in merger and integration charges and income of \$7 million included in restructuring and impairment charges). In the 12 weeks ended September 3, 2011, we recognized stock-based compensation expense of \$77 million (\$76 million recorded as stock-based compensation expense and \$1 million included in merger and integration charges). In the 36 weeks ended September 3, 2011, we recognized stock-based compensation expense of \$232 million (\$222 million recorded as stock-based compensation expense and \$10 million included in merger and integration charges).

In the 12 weeks ended September 8, 2012, our grants of stock options and restricted stock units (RSU) were nominal. In the 36 weeks ended September 8, 2012, we granted 3.6 million stock options and 4.3 million RSUs at weighted-average grant prices of \$66.94 and \$66.51, respectively, under the terms of our 2007 Long-Term Incentive Plan. In the 12 weeks ended September 3, 2011, our grants of stock options and RSUs were nominal. In the 36 weeks ended September 3, 2011, we granted 6.8 million stock options and 5.2 million RSUs at weighted-average grant prices of \$64.28 and \$63.88, respectively, under the terms of our 2007 Long-Term Incentive Plan.

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

	36 Weeks Ended	
	9/8/2012	9/3/2011
Expected life	<b>6 years</b>	6 years
Risk free interest rate	<b>1.3%</b>	2.5%
Expected volatility <sup>(a)</sup>	<b>17%</b>	16%
Expected dividend yield	<b>3.0%</b>	2.9%

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

In the 36 weeks ended September 8, 2012, as part of our 2007 Long-Term Incentive Plan, we granted a nominal amount of PepsiCo equity performance units (PEPUnits) to certain executive officers. These PEPUnits are earned based on achievement of a cumulative net income performance target and provide an opportunity to earn shares of PepsiCo Common Stock with a value that adjusts based upon absolute changes in PepsiCo's stock price as well as PepsiCo's Total Shareholder Return relative to the S&P 500 over a three-year performance period.

## Pension and Retiree Medical Benefits

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

	12 Weeks Ended					
	Pension				Retiree Medical	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
	U.S.		International			
Service cost	\$ 93	\$ 80	\$ 23	\$ 22	\$ 12	\$ 12
Interest cost	124	127	27	28	15	20
Expected return on plan assets	(183)	(163)	(34)	(32)	(5)	(3)
Amortization of prior service cost/(benefit)	4	3	—	1	(6)	(6)
Amortization of experience loss	60	34	13	10	—	2
	98	81	29	29	16	25
Settlement/Curtailment gain	—	—	(2)	—	—	—
Special termination benefits	2	—	—	—	—	—
Total expense	\$ 100	\$ 81	\$ 27	\$ 29	\$ 16	\$ 25

	36 Weeks Ended					
	Pension				Retiree Medical	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011	9/8/2012	9/3/2011
	U.S.		International			
Service cost	\$ 282	\$ 242	\$ 65	\$ 62	\$ 35	\$ 35
Interest cost	370	379	75	77	45	61
Expected return on plan assets	(550)	(487)	(95)	(89)	(15)	(10)
Amortization of prior service cost/(benefit)	12	10	1	2	(18)	(19)
Amortization of experience loss	179	101	35	26	—	8
	293	245	81	78	47	75
Settlement/Curtailment (gain)/loss	(7)	(9)	1	—	—	—
Special termination benefits	6	10	—	—	4	1
Total expense	\$ 292	\$ 246	\$ 82	\$ 78	\$ 51	\$ 76

During the first quarter of 2012, as part of our ongoing program to reduce volatility associated with our pension plans, we made discretionary contributions of \$860 million to our pension plans and \$140 million to our retiree medical plans.

**Income Taxes**

---

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

	<b>9/8/2012</b>	12/31/2011
Balance, beginning of year	\$ 2,167	\$ 2,022
Additions for tax positions related to the current year	190	233
Additions for tax positions from prior years	101	147
Reductions for tax positions from prior years	(25)	(46)
Settlement payments	(10)	(156)
Statute of limitations expiration	—	(15)
Translation and other	5	(18)
Balance, end of period	<u>\$ 2,428</u>	<u>\$ 2,167</u>

On September 20, 2012, during our fourth quarter, the U.S. Tax Court issued a decision in our favor in the tax court trial related to classification of financial instruments for the 1998-2002 audit cycle. This decision remains subject to appeal by the U.S. government.

## 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			
	9/8/2012		9/3/2011	
	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>
Net income attributable to PepsiCo	\$ 1,902		\$ 2,000	
Preferred shares:				
Dividends	—		—	
Redemption premium	(1)		(1)	
Net income available for PepsiCo common shareholders	\$ 1,901	1,556	\$ 1,999	1,578
Basic net income attributable to PepsiCo per common share	\$ 1.22		\$ 1.27	
Net income available for PepsiCo common shareholders	\$ 1,901	1,556	\$ 1,999	1,578
Dilutive securities:				
Stock options and RSUs <sup>(b)</sup>	—	18	—	20
ESOP convertible preferred stock	1	1	1	1
Diluted	\$ 1,902	1,575	\$ 2,000	1,599
Diluted net income attributable to PepsiCo per common share	\$ 1.21		\$ 1.25	

	36 Weeks Ended			
	9/8/2012		9/3/2011	
	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>
Net income attributable to PepsiCo	\$ 4,517		\$ 5,028	
Preferred shares:				
Dividends	(1)		(1)	
Redemption premium	(4)		(4)	
Net income available for PepsiCo common shareholders	\$ 4,512	1,562	\$ 5,023	1,581
Basic net income attributable to PepsiCo per common share	\$ 2.89		\$ 3.18	
Net income available for PepsiCo common shareholders	\$ 4,512	1,562	\$ 5,023	1,581
Dilutive securities:				
Stock options and RSUs <sup>(b)</sup>	—	17	—	21
ESOP convertible preferred stock	5	1	5	1
Diluted	\$ 4,517	1,580	\$ 5,028	1,603
Diluted net income attributable to PepsiCo per common share	\$ 2.86		\$ 3.14	

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

(b) Options to purchase 0.6 million and 13.5 million shares, respectively, for the 12 and 36 weeks in 2012 were not included in the calculation of earnings per share because these options were out-of-the-money. These out-of-the-money options had average exercise prices of \$72.26 and \$67.51, respectively. Options to purchase 22.1 million and 21.2 million shares, respectively, for the 12 and 36 weeks in 2011 were not included in the calculation of earnings per share because these options were out-of-the-money. These out-of-the-money options had average exercise prices of \$67.67 and \$67.46, respectively.

## Debt Obligations and Commitments

In the first quarter of 2012, we issued:

- \$750 million of 0.750% senior notes maturing in 2015;
- \$1.250 billion of 2.750% senior notes maturing in 2022; and
- \$750 million of 4.000% senior notes maturing in 2042.

In the third quarter of 2012, we issued:

- \$900 million of 0.700% senior notes maturing in 2015;
- \$1.000 billion of 1.250% senior notes maturing in 2017; and
- \$600 million of 3.600% senior notes maturing in 2042.

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

In the second quarter of 2012, we extended the termination date of our four-year unsecured revolving credit agreement (Four-Year Credit Agreement) from June 14, 2015 to June 14, 2016 and the termination date of our 364-day unsecured revolving credit agreement (364-Day Credit Agreement) from June 12, 2012 to June 11, 2013. Funds borrowed under the Four-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes of PepsiCo and its subsidiaries, including, but not limited to, working capital, capital investments and acquisitions.

As of September 8, 2012, we had \$0.9 billion of commercial paper outstanding.

### Long-Term Contractual Commitments<sup>(a)</sup>

	Payments Due by Period				
	Total	2012	2013 – 2014	2015 – 2016	2017 and beyond
Long-term debt obligations <sup>(b)</sup>	\$ 22,989	\$ —	\$ 4,153	\$ 5,093	\$ 13,743
Interest on debt obligations <sup>(c)</sup>	8,882	300	1,656	1,311	5,615
Operating leases	1,754	142	680	388	544
Purchasing commitments	2,450	394	1,664	331	61
Marketing commitments	2,364	78	596	540	1,150
	<u>\$ 38,439</u>	<u>\$ 914</u>	<u>\$ 8,749</u>	<u>\$ 7,663</u>	<u>\$ 21,113</u>

(a) Reflects non-cancelable commitments as of September 8, 2012 based on foreign exchange rates in effect on the balance sheet date and excludes any reserves for uncertain tax positions as we are unable to reasonably predict the ultimate amount or timing of settlement.

(b) Excludes \$3,054 million related to current maturities of long-term debt, \$390 million related to the fair value step-up of debt acquired in connection with our acquisitions of The Pepsi Bottling Group, Inc. (PBG) and PepsiAmericas, Inc. (PAS), and \$353 million related to the increase in carrying value of long-term debt reflecting the gains on our fair value interest rate swaps.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of September 8, 2012.

Most long-term contractual commitments, except for our long-term debt obligations, are not recorded on our balance sheet. Non-cancelable operating leases primarily represent building leases. Non-cancelable purchasing commitments are primarily for packaging materials, sugar and other sweeteners, oranges and orange juice. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding to independent bottlers is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in our long-term contractual commitments because they do not represent expected future cash outflows. See *Pension and Retiree Medical Benefits* for additional information regarding our pension and retiree medical obligations.

### **Restructuring, Impairment and Integration Charges**

In the 12 weeks ended September 8, 2012, we incurred restructuring and impairment charges of \$83 million (\$59 million after-tax or \$0.04 per share) in conjunction with our multi-year productivity plan (Productivity Plan), including \$8 million recorded in the FLNA segment, \$1 million recorded in the QFNA segment, \$29 million recorded in the LAF segment, \$33 million recorded in the PAB segment, \$6 million recorded in the AMEA segment, \$7 million recorded in corporate unallocated expenses and income of \$1 million recorded in the Europe segment representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred restructuring and impairment charges of \$193 million (\$139 million after-tax or \$0.09 per share) in conjunction with our Productivity Plan, including \$40 million recorded in the FLNA segment, \$7 million recorded in the QFNA segment, \$41 million recorded in the LAF segment, \$76 million recorded in the PAB segment, \$23 million recorded in the AMEA segment, \$8 million recorded in corporate unallocated expenses and income of \$2 million recorded in the Europe segment representing adjustments of previously recorded amounts. All of these net charges were recorded in selling, general and administrative expenses. The majority of cash payments related to these charges are expected to be paid by the end of 2012. The Productivity Plan includes actions in every aspect of our business that we believe will strengthen our complementary food, snack and beverage businesses by leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The Productivity Plan is expected to enhance PepsiCo's cost-competitiveness, provide a source of funding for future brand-building and innovation initiatives, and serve as a financial cushion for potential macroeconomic uncertainty beyond 2012.

A summary of our Productivity Plan activity in 2012 is as follows:

	Severance and Other Employee Costs	Asset Impairment	Other Costs	Total
Liability as of December 31, 2011	\$ 249	\$ —	\$ 27	\$ 276
2012 restructuring and impairment charges	51	57	85	193
Cash payments	(173)	—	(70)	(243)
Non-cash charges	(7)	(57)	(2)	(66)
Liability as of September 8, 2012	<u>\$ 120</u>	<u>\$ —</u>	<u>\$ 40</u>	<u>\$ 160</u>

In the 12 weeks ended September 8, 2012, we incurred merger and integration charges of \$2 million (\$2 million after-tax with a nominal amount per share) related to our acquisition of WBD, including \$4 million recorded in the Europe segment and income of \$2 million recorded in corporate unallocated expenses representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred merger and integration charges of \$7 million (\$6 million after-tax with a nominal amount per share)

related to our acquisition of WBD, all of which were recorded in the Europe segment. These charges were recorded in selling, general and administrative expenses. The majority of cash payments related to these charges are expected to be paid by the end of 2012.

In the 12 weeks ended September 3, 2011, we incurred merger and integration charges of \$61 million (\$53 million after-tax or \$0.03 per share) related to our acquisitions of PBG, PAS and WBD, including \$24 million recorded in the PAB segment, \$11 million recorded in the Europe segment, \$10 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. In the 36 weeks ended September 3, 2011, we incurred merger and integration charges of \$174 million (\$147 million after-tax or \$0.09 per share) related to our acquisitions of PBG, PAS and WBD, including \$77 million recorded in the PAB segment, \$17 million recorded in the Europe segment, \$64 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. All of these net charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. These charges also include closing costs and advisory fees related to our acquisition of WBD. Substantially all cash payments related to these charges were paid by the end of 2011.

A summary of our merger and integration activity in 2012 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
Liability as of December 31, 2011	\$ 98	\$ 7	\$ 105
2012 merger and integration charges	2	5	7
Cash payments	(50)	(7)	(57)
Non-cash charges	(6)	—	(6)
Liability as of September 8, 2012	\$ 44	\$ 5	\$ 49

## 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.

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

For cash flow hedges, changes in fair value are deferred in accumulated other comprehensive loss within common shareholders’ equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. Hedging ineffectiveness and a net earnings impact occur when the change in the value of the

hedge does not offset the change in the value of the underlying hedged item. If the derivative instrument is terminated, we continue to defer the related gain or loss and then include it as a component of the cost of the underlying hedged item. Upon determination that the underlying hedged item will not be part of an actual transaction, we recognize the related gain or loss in net income immediately.

We also use derivatives that do not qualify for hedge accounting treatment. We account for such derivatives at market value with the resulting gains and losses reflected in our income statement. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk.

### ***Commodity Prices***

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price purchase orders, pricing agreements and derivatives. In addition, risk to our supplies of certain raw materials is mitigated through purchases from multiple geographies and suppliers. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for metals, energy and agricultural products. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately in corporate unallocated expenses. Ineffectiveness is not material. During the next 12 months, we expect to reclassify net losses of \$23 million related to these hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting are marked to market each period and reflected in our income statement.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of \$488 million as of September 8, 2012 and \$586 million as of September 3, 2011.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of \$636 million as of September 8, 2012 and \$537 million as of September 3, 2011.

### ***Foreign Exchange***

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

We enter into derivatives, primarily forward contracts with terms of no more than two years, to manage our exposure to foreign currency transaction risk. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred.

Our foreign currency derivatives had a total face value of \$2.5 billion as of September 8, 2012 and September 3, 2011. During the next 12 months, we expect to reclassify net losses of \$17 million related to foreign currency contracts that qualify for hedge accounting from accumulated other comprehensive loss into net income. Additionally, ineffectiveness is not material. For foreign currency derivatives that do not qualify for hedge accounting treatment, all losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.



## ***Interest Rates***

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency swaps match the principal, interest payment and maturity date of the related debt. Our Treasury locks and swap locks are entered into to protect against unfavorable interest rate changes relating to forecasted debt transactions.

The notional amounts of the interest rate derivative instruments outstanding as of September 8, 2012 and September 3, 2011 were \$7.3 billion and \$8.9 billion, respectively. For those interest rate derivative instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. Ineffectiveness is not material. During the next 12 months, we expect to reclassify net losses of \$23 million related to these hedges from accumulated other comprehensive loss into net income.

As of September 8, 2012, approximately 26% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to 38% as of December 31, 2011.

**Fair Value Measurements**

The fair values of our financial assets and liabilities as of September 8, 2012 and September 3, 2011 are categorized as follows:

	2012		2011	
	Assets(a)	Liabilities(a)	Assets(a)	Liabilities(a)
Available-for-sale securities <sup>(b)</sup>	\$ 61	\$ —	\$ 61	\$ —
Short-term investments – index funds <sup>(c)</sup>	\$ 164	\$ —	\$ 159	\$ —
Prepaid forward contracts <sup>(d)</sup>	\$ 41	\$ —	\$ 38	\$ —
Deferred compensation <sup>(e)</sup>	\$ —	\$ 503	\$ —	\$ 519
<b>Derivatives designated as fair value hedging instruments:</b>				
Interest rate derivatives <sup>(f)</sup>	\$ 293	\$ —	\$ 428	\$ —
<b>Derivatives designated as cash flow hedging instruments:</b>				
Foreign exchange contracts <sup>(g)</sup>	\$ 10	\$ 31	\$ 12	\$ 23
Interest rate derivatives <sup>(f)</sup>	—	—	—	56
Commodity contracts <sup>(h)</sup>	13	38	28	17
	\$ 23	\$ 69	\$ 40	\$ 96
<b>Derivatives not designated as hedging instruments:</b>				
Foreign exchange contracts <sup>(g)</sup>	\$ 30	\$ 6	\$ 5	\$ 19
Interest rate derivatives <sup>(f)</sup>	128	159	104	140
Commodity contracts <sup>(h)</sup>	84	25	24	30
	\$ 242	\$ 190	\$ 133	\$ 189
<b>Total derivatives at fair value</b>	<b>\$ 558</b>	<b>\$ 259</b>	<b>\$ 601</b>	<b>\$ 285</b>
<b>Total</b>	<b>\$ 824</b>	<b>\$ 762</b>	<b>\$ 859</b>	<b>\$ 804</b>

- (a) Financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets, with the exception of available-for-sale securities and short-term investments. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.
- (b) Based on the price of common stock. Categorized as a Level 1 asset.
- (c) Based on price changes in index funds used to manage a portion of market risk arising from our deferred compensation liability. Categorized as a Level 1 asset.
- (d) Based primarily on the price of our common stock.
- (e) Based on the fair value of investments corresponding to employees' investment elections. As of September 8, 2012 and September 3, 2011, \$11 million and \$43 million, respectively, are categorized as Level 1 liabilities. The remaining balances are categorized as Level 2 liabilities.
- (f) Based on LIBOR forward rates.
- (g) Based on recently reported market transactions of spot and forward rates.
- (h) Based on recently reported market transactions, primarily swap arrangements.

The fair value of our debt obligations as of September 8, 2012 was \$30 billion, based upon prices of similar instruments in the marketplace.

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

	12 Weeks Ended					
	Fair Value/Non-designated Hedges		Cash Flow Hedges			
	(Gains)/Losses Recognized in Income Statement <sup>(a)</sup>		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement <sup>(b)</sup>	
					9/8/2012	9/3/2011
Foreign exchange contracts	\$ (9)	\$ 7	\$ 41	\$ (9)	\$ (6)	\$ 9
Interest rate derivatives	(5)	(84)	—	42	6	4
Commodity contracts	(99)	29	(28)	40	20	(12)
Total	\$ (113)	\$ (48)	\$ 13	\$ 73	\$ 20	\$ 1

	36 Weeks Ended					
	Fair Value/Non-designated Hedges		Cash Flow Hedges			
	(Gains)/Losses Recognized in Income Statement <sup>(a)</sup>		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement <sup>(b)</sup>	
					9/8/2012	9/3/2011
Foreign exchange contracts	\$ (16)	\$ 8	\$ 37	\$ 28	\$ (4)	\$ 30
Interest rate derivatives	3	(162)	4	71	15	10
Commodity contracts	(76)	(17)	9	(15)	47	(37)
Total	\$ (89)	\$ (171)	\$ 50	\$ 84	\$ 58	\$ 3

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

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

## Recent Accounting Pronouncements

In the second quarter of 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA changes the tax treatment related to an existing retiree drug subsidy (RDS) available to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. As a result of the PPACA, RDS payments will effectively become taxable in tax years beginning in 2013, by requiring the amount of the subsidy received to be offset against our deduction for health care expenses. The provisions of the PPACA required us to record the effect of this tax law change beginning in our second quarter of 2010, and consequently we recorded a one-time related tax charge of \$41 million in the second quarter of 2010. In the first quarter of 2012, we began pre-paying funds within our 401(h) voluntary employee beneficiary associations (VEBA) trust to fully cover prescription drug benefit liabilities for Medicare eligible retirees. As a result, the receipt of future Medicare subsidy payments for prescription drugs will not be taxable and, consequently, we recorded a \$55 million tax benefit reflecting this change in the first quarter of 2012.

In June 2011, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of the guidance were effective as of the beginning of our 2012 fiscal year. Accordingly, we have presented the components of net income and other comprehensive income for the 12 and 36 weeks ended September 8, 2012 and September 3, 2011 as two separate but consecutive statements. In June 2012, the FASB issued a new proposal that would require an entity to provide enhanced footnote disclosures to explain the effect of reclassification adjustments on other comprehensive income by component and provide a tabular disclosure in the footnotes showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. We will continue to monitor the FASB's activities related to the proposed guidance.

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

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

In July 2012, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance are effective as of the beginning of our 2013 fiscal year; we do not expect the new guidance to have an impact on the 2013 impairment test results.

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

### **FINANCIAL REVIEW**

---

*Our discussion and analysis is an integral part of understanding our financial results. Also refer to Basis of Presentation and Our Divisions in the notes to the condensed consolidated financial statements. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted and are based on unrounded amounts. Percentage changes are based on unrounded amounts.*

### **Our Critical Accounting Policies**

---

#### ***Sales Incentives and Advertising and Marketing Costs***

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

#### ***Income Taxes***

In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on our expected annual income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Subsequent recognition, derecognition and measurement of a tax position taken in a previous period are separately recognized in the quarter in which they occur.

### **Our Business Risks**

---

*This Quarterly Report on 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 (the “Reform Act”). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “believe,” “expect,” “intend,” “estimate,” “project,” “anticipate,” “will” and variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available*

*information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statements. 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.*

Our operations outside of the U.S. generated approximately 50% of our net revenue in the 36 weeks ended September 8, 2012. As a result, we are exposed to foreign currency risks, including unforeseen economic changes and political unrest. During 2011 and the majority of 2012, the economic environment in Europe continued to deteriorate and certain countries experienced debt and credit issues as well as currency fluctuations. We are identifying actions to potentially mitigate the unfavorable impact, if any, on our financial results. In the 12 weeks ended September 8, 2012, unfavorable foreign currency decreased net revenue growth by 5 percentage points, primarily due to depreciation of the Russian ruble, euro, Mexican peso and Brazilian real. In the 36 weeks ended September 8, 2012, unfavorable foreign currency decreased net revenue growth by 3 percentage points, primarily due to depreciation of the Russian ruble, Mexican peso, euro and Brazilian real. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

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

See *Financial Instruments* in the notes to the condensed consolidated financial statements for further discussion of our derivative instruments, including their fair values as of September 8, 2012 and September 3, 2011. Cautionary statements included in Item 1A. Risk Factors and in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, should be considered when evaluating our trends and future results.

## Results of Operations – Consolidated Review

### Items Affecting Comparability

Our reported financial results are impacted by the following items in each of the following periods:

	12 Weeks Ended		36 Weeks Ended	
	9/8/2012	9/3/2011	9/8/2012	9/3/2011
<b>Operating profit</b>				
Mark-to-market net gains/(losses)	\$ 121	\$ (53)	\$ 126	\$ (31)
Restructuring and impairment charges	\$ (83)	\$ —	\$ (193)	\$ —
Merger and integration charges	\$ (2)	\$ (45)	\$ (7)	\$ (158)
Inventory fair value adjustments	\$ —	\$ (3)	\$ —	\$ (41)
Restructuring and other charges related to the transaction with Tingyi	\$ —	\$ —	\$ (137)	\$ —
<b>Interest expense</b>				
Merger and integration charges	\$ —	\$ (16)	\$ —	\$ (16)
<b>Net income attributable to PepsiCo</b>				
Mark-to-market net gains/(losses)	\$ 70	\$ (34)	\$ 75	\$ (20)
Restructuring and impairment charges	\$ (59)	\$ —	\$ (139)	\$ —
Merger and integration charges	\$ (2)	\$ (53)	\$ (6)	\$ (147)
Inventory fair value adjustments	\$ —	\$ (2)	\$ —	\$ (25)
Restructuring and other charges related to the transaction with Tingyi	\$ —	\$ —	\$ (163)	\$ —
<b>Net income attributable to PepsiCo per common share – diluted</b>				
Mark-to-market net gains/(losses)	\$ 0.05	\$ (0.02)	\$ 0.05	\$ (0.01)
Restructuring and impairment charges	\$ (0.04)	\$ —	\$ (0.09)	\$ —
Merger and integration charges	\$ —	\$ (0.03)	\$ —	\$ (0.09)
Inventory fair value adjustments	\$ —	\$ —	\$ —	\$ (0.02)
Restructuring and other charges related to the transaction with Tingyi	\$ —	\$ —	\$ (0.10)	\$ —

### Mark-to-Market Net Impact

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

In the 12 weeks ended September 8, 2012, we recognized \$121 million (\$70 million after-tax or \$0.05 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses. In the 36 weeks ended September 8, 2012, we recognized \$126 million (\$75 million after-tax or \$0.05 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In the 12 weeks ended September 3, 2011, we recognized \$53 million (\$34 million after-tax or \$0.02 amount per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses. In the 36 weeks ended September 3, 2011, we recognized \$31 million (\$20 million after-tax or \$0.01 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

### **Restructuring and Impairment Charges**

In the 12 weeks ended September 8, 2012, we incurred restructuring and impairment charges of \$83 million (\$59 million after-tax or \$0.04 per share) in conjunction with our Productivity Plan. In the 36 weeks ended September 8, 2012, we incurred restructuring and impairment charges of \$193 million (\$139 million after-tax or \$0.09 per share) in conjunction with our Productivity Plan. In total, we expect to incur pre-tax charges of approximately \$910 million, \$383 million of which was reflected in our 2011 results, \$193 million of which was reflected in our results through the third quarter of 2012, and we anticipate approximately \$205 million of additional charges during the remainder of 2012, with the balance of approximately \$129 million to be reflected in our 2013, 2014 and 2015 results. These charges will consist of approximately \$500 million of severance and other employee-related costs; approximately \$305 million for other costs, including consulting-related costs and the termination of leases and other contracts; and approximately \$105 million for asset impairments (all non-cash) resulting from plant closures and related actions. These charges resulted in cash expenditures of \$30 million in 2011 and cash expenditures of \$243 million through the third quarter of 2012, and we anticipate approximately \$175 million of additional related cash expenditures during the remainder of 2012, with the balance of approximately \$287 million expected in 2013 through 2015. We expect that the Productivity Plan will be substantially completed by the end of 2012 with incremental productivity initiatives continuing through the end of 2015. See *Restructuring, Impairment and Integration Charges* in the notes to the condensed consolidated financial statements.

### **Merger and Integration Charges**

In the 12 weeks ended September 8, 2012, we incurred merger and integration charges of \$2 million (\$2 million after-tax with a nominal amount per share) related to our acquisition of WBD, including \$4 million recorded in the Europe segment and income of \$2 million recorded in corporate unallocated expenses representing adjustments of previously recorded amounts. In the 36 weeks ended September 8, 2012, we incurred merger and integration charges of \$7 million (\$6 million after-tax with a nominal amount per share) related to our acquisition of WBD, all of which were recorded in the Europe segment.

In the 12 weeks ended September 3, 2011, we incurred merger and integration charges of \$61 million (\$53 million after-tax or \$0.03 per share) related to our acquisitions of PBG, PAS and WBD, including \$24 million recorded in the PAB segment, \$11 million recorded in the Europe segment, \$10 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. In the 36 weeks ended September 3, 2011, we incurred merger and integration charges of \$174 million (\$147 million after-tax or \$0.09 per share) related to our acquisitions of PBG, PAS and WBD, including \$77 million recorded in the PAB segment, \$17 million recorded in the Europe segment, \$64 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. These charges also include closing costs and advisory fees related to our acquisition of WBD.

### **Inventory Fair Value Adjustments**

In the 12 and 36 weeks ended September 3, 2011, we recorded \$3 million (\$2 million after-tax with a nominal amount per share) and \$41 million (\$25 million after-tax or \$0.02 per share), respectively, of incremental costs in cost of sales related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.



## **Restructuring and Other Charges Related to the Transaction with Tingyi**

In the 36 weeks ended September 8, 2012, we recorded restructuring and other charges of \$137 million million (\$163 million after-tax or \$0.10 per share) related to the transaction with Tingyi.

### ***Non-GAAP Measures***

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

### ***Volume***

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. In the 12 weeks and 36 weeks ended September 8, 2012, total servings increased 4% and 3%, respectively. 2012 servings growth reflects an adjustment to the base year (2011) for divestitures that occurred in 2011 and 2012, as applicable.

We discuss volume for our beverage businesses on a bottler case sales (BCS) basis in which all beverage volume is converted to an 8-ounce-case metric. Most of our beverage volume is sold by our company-owned and franchise-owned bottlers, and that portion is based on our bottlers’ sales to retailers and independent distributors. The remainder of our volume is based on our direct shipments to retailers and independent distributors. We report our international beverage volume on a monthly basis. Our third quarter includes beverage volume outside of North America for June, July and August. Concentrate shipments and equivalents (CSE) represent our physical beverage volume shipments to independent bottlers, retailers and independent distributors, and is the measure upon which our revenue is based.

**Consolidated Results**
**Total Net Revenue and Operating Profit**

	12 Weeks Ended			36 Weeks Ended		
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Total net revenue	\$ 16,652	\$ 17,582	(5)%	\$ 45,538	\$ 46,346	(2)%
Operating profit						
FLNA	\$ 917	\$ 918	— %	\$ 2,532	\$ 2,545	(0.5)%
QFNA	154	177	(13)%	495	558	(11)%
LAF	219	275	(21)%	673	720	(7)%
PAB	837	992	(16)%	2,202	2,533	(13)%
Europe	483	514	(6)%	1,017	984	3 %
AMEA	317	285	11 %	630	730	(14)%
Corporate unallocated						
Mark-to-market net gains/(losses)	121	(53)	n/m	126	(31)	n/m
Restructuring and impairment charges	(7)	—	n/m	(8)	—	n/m
Merger and integration charges	2	(10)	n/m	—	(64)	n/m
Other	(243)	(192)	27 %	(768)	(589)	30 %
Total operating profit	\$ 2,800	\$ 2,906	(4)%	\$ 6,899	\$ 7,386	(7)%
Total operating profit margin	16.8%	16.5%	0.3	15.1%	15.9%	(0.8)

*n/m = not meaningful*

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

**12 Weeks**

On a reported basis, total operating profit decreased 4% and operating margin increased 0.3 percentage points. Operating profit performance was primarily driven by higher commodity costs, advertising and marketing expenses and unfavorable foreign currency, partially offset by effective net pricing. Other corporate unallocated expenses increased 27%, primarily reflecting deferred compensation losses compared to gains in the prior year and increased pension expense. The deferred compensation losses are offset (as an increase to interest income) by gains on investments used to economically hedge these costs. Commodity cost inflation was approximately \$350 million compared to the prior year period, primarily attributable to Europe and PAB. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 4 percentage points to the operating profit performance and increased total operating margin by 0.8 percentage points.

### 36 Weeks

On a reported basis, total operating profit decreased 7% and operating margin decreased 0.8 percentage points. Operating profit performance was primarily driven by higher commodity costs, advertising and marketing expenses and unfavorable foreign currency, partially offset by effective net pricing. Other corporate unallocated expenses increased 30%, primarily driven by increased pension expense. Commodity cost inflation was approximately \$1.1 billion compared to the prior year period, primarily attributable to PAB and FLNA. Items affecting comparability (see “Items Affecting Comparability”) had a nominal impact on both total operating profit performance and total operating margin.

#### Other Consolidated Results

	12 Weeks Ended			36 Weeks Ended		
	9/8/2012	9/3/2011	Change	9/8/2012	9/3/2011	Change
Interest expense, net	\$ (181)	\$ (209)	(14)%	\$ (564)	\$ (551)	2.5 %
Tax rate	26.9%	25.4%		28.2%	26.0%	
Net income attributable to PepsiCo	\$ 1,902	\$ 2,000	(5)%	\$ 4,517	\$ 5,028	(10)%
Net income attributable to PepsiCo per common share – diluted	\$ 1.21	\$ 1.25	(3)%	\$ 2.86	\$ 3.14	(9)%
Mark-to-market net (gains)/losses	(0.05)	0.02		(0.05)	0.01	
Restructuring and impairment charges	0.04	—		0.09	—	
Merger and integration charges	—	0.03		—	0.09	
Inventory fair value adjustments	—	—		—	0.02	
Restructuring and other charges related to the transaction with Tingyi	—	—		0.10	—	
Net income attributable to PepsiCo per common share – diluted, excluding above items*	\$ 1.20	\$ 1.31 **	(8)%	\$ 3.01 **	\$ 3.26	(8)%

\* See “Non-GAAP Measures”

\*\* Does not sum due to rounding

### 12 Weeks

Net interest expense decreased 14%, primarily reflecting gains in the market value of investments used to economically hedge a portion of our deferred compensation costs and lapping the impact of the premium paid in a debt tender offer from the prior year, partially offset by higher average debt balances and higher rates on our debt balances.

The reported tax rate increased 1.5% compared to the prior year, primarily reflecting the net tax expense related to gains recognized on commodity hedges (see “Items Affecting Comparability”), as well as an adjustment to our international deferred taxes, partially offset by tax benefits generated from an international acquisition.

Net income attributable to PepsiCo decreased 5% and net income attributable to PepsiCo per common share decreased 3%. Items affecting comparability (see “Items Affecting Comparability”) increased net income attributable to PepsiCo by 4.5 percentage points and net income attributable to PepsiCo per common share by 5 percentage points.

### **36 Weeks**

Net interest expense increased 2.5%, primarily reflecting higher average debt balances and higher rates on our debt balances, partially offset by gains in the market value of investments used to economically hedge a portion of our deferred compensation costs.

The reported tax rate increased 2.2% compared to the prior year, primarily reflecting the tax impact of the transaction with Tingyi and the lapping of prior year tax benefits related to a portion of our international bottling operations, partially offset by the prepayment of Medicare subsidy liabilities.

Net income attributable to PepsiCo decreased 10% and net income attributable to PepsiCo per common share decreased 9%. Items affecting comparability (see “Items Affecting Comparability”) decreased both net income attributable to PepsiCo and net income attributable to PepsiCo per common share by 1 percentage point.

### **Results of Operations – Division Review**

---

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. Accordingly, 2012 volume growth measures reflect an adjustment to the base year (2011) for divestitures that occurred in 2011 and 2012. See “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

Furthermore, 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,” except as otherwise noted, reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

**Net Revenue**

<b>12 Weeks Ended</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
<b>9/8/2012</b>	<b>\$ 3,269</b>	<b>\$ 615</b>	<b>\$ 1,883</b>	<b>\$ 5,530</b>	<b>\$ 3,691</b>	<b>\$ 1,664</b>	<b>\$ 16,652</b>
9/3/2011	\$ 3,173	\$ 614	\$ 1,841	\$ 5,947	\$ 3,909	\$ 2,098	\$ 17,582
<b>% Impact of:</b>							
Volume <sup>(a)</sup>	1 %	2 %	4%	(4)%	1 %	10 %	1 %
Effective net pricing <sup>(b)</sup>	2	(1)	9	3	6	0.5	4
Foreign currency translation	—	—	(13)	(1)	(12)	(4)	(5)
Acquisitions and divestitures	—	—	2	(6)	—	(27)	(5)
<b>% Change<sup>(c)</sup></b>	<b>3 %</b>	<b>— %</b>	<b>2%</b>	<b>(7)%</b>	<b>(6)%</b>	<b>(21)%</b>	<b>(5)%</b>

**Net Revenue**

<b>36 Weeks Ended</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
<b>9/8/2012</b>	<b>\$ 9,472</b>	<b>\$ 1,821</b>	<b>\$ 5,066</b>	<b>\$ 15,330</b>	<b>\$ 9,153</b>	<b>\$ 4,696</b>	<b>\$ 45,538</b>
9/3/2011	\$ 9,167	\$ 1,837	\$ 4,757	\$ 16,107	\$ 9,329	\$ 5,149	\$ 46,346
<b>% Impact of:</b>							
Volume <sup>(a)</sup>	(1)%	(1)%	4%	(3)%	— %	8 %	— %
Effective net pricing <sup>(b)</sup>	4	1	10	4	5	3	4.5
Foreign currency translation	—	—	(10)	—	(9)	(3)	(3)
Acquisitions and divestitures	—	—	2	(6)	2	(16)	(3)
<b>% Change<sup>(c)</sup></b>	<b>3 %</b>	<b>(1)%</b>	<b>7%</b>	<b>(5)%</b>	<b>(2)%</b>	<b>(9)%</b>	<b>(2)%</b>

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

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

(c) Amounts may not sum due to rounding.

### Organic Net Revenue Growth

Organic net revenue growth is a significant measure we use to monitor net revenue performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP net revenue growth. In order to compute our organic net revenue growth results, we exclude the impact of acquisitions and divestitures and foreign currency translation from reported net revenue growth. See also “Non-GAAP Measures.”

#### Organic Net Revenue Growth

<b>12 Weeks Ended 9/8/2012</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
Reported Growth	3%	—%	2%	(7)%	(6)%	(21)%	(5)%
<i>% Impact of:</i>							
Foreign currency translation	—	—	13	1	12	4	5
Acquisitions and divestitures	—	—	(2)	6	—	27	5
Organic Growth <sup>(a)</sup>	3%	1%	13%	—%	7%	10%	5%

#### Organic Net Revenue Growth

<b>36 Weeks Ended 9/8/2012</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
Reported Growth	3%	(1)%	7%	(5)%	(2)%	(9)%	(2)%
<i>% Impact of:</i>							
Foreign currency translation	—	—	10	—	9	3	3
Acquisitions and divestitures	—	—	(2)	6	(2)	16	3
Organic Growth <sup>(a)</sup>	4%	—%	14%	1%	5%	11%	5%

(a) Amounts may not sum due to rounding.

**Frito-Lay North America**

	12 Weeks Ended		% Change	36 Weeks Ended		% Change
	9/8/2012	9/3/2011		9/8/2012	9/3/2011	
Net revenue	\$ 3,269	\$ 3,173	3	\$ 9,472	\$ 9,167	3
Impact of foreign currency translation			—			—
Net revenue growth, on a constant currency basis*			3			4 **
Operating profit	\$ 917	\$ 918	—	\$ 2,532	\$ 2,545	(0.5)
Restructuring and impairment charges	8	—		40	—	
Operating profit excluding above item*	\$ 925	\$ 918	1	\$ 2,572	\$ 2,545	1
Impact of foreign currency translation			—			—
Operating profit growth excluding above item, on a constant currency basis*			1			1

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

**12 Weeks**

Net revenue increased 3% and volume increased 1%. The volume performance reflects a high-single-digit increase in variety packs, mid-single-digit growth in dips and double-digit growth in our Sabra joint venture, partially offset by a double-digit decline in trademark SunChips. Volume performance was negatively impacted by a calendar shift related to the Labor Day holiday. Net revenue growth was driven by effective net pricing and the volume growth.

Operating profit was flat, reflecting higher commodity costs, primarily cooking oil, and higher advertising and marketing expenses. Restructuring and impairment charges negatively impacted operating profit performance by 1 percentage point.

**36 Weeks**

Net revenue increased 3% and volume was flat. The volume performance reflects a high-single-digit increase in variety packs and double-digit growth in our Sabra joint venture, offset by low-single-digit declines in trademark Lay's and a double-digit decline in trademark SunChips. Net revenue growth was driven by effective net pricing.

Operating profit declined 0.5%, reflecting higher commodity costs, primarily cooking oil, and higher advertising and marketing expenses, partially offset by the net revenue growth. Restructuring and impairment charges negatively impacted operating profit performance by 1.5 percentage points.

**Quaker Foods North America**

	12 Weeks Ended		% Change	36 Weeks Ended		% Change
	9/8/2012	9/3/2011		9/8/2012	9/3/2011	
Net revenue	\$ 615	\$ 614	—	\$ 1,821	\$ 1,837	(1)
Impact of foreign currency translation			—			—
Net revenue growth, on a constant currency basis*			0.5	**		(0.5)
Operating profit	\$ 154	\$ 177	(13)	\$ 495	\$ 558	(11)
Restructuring and impairment charges	1	—		7	—	
Operating profit excluding above item*	\$ 155	\$ 177	(12)	\$ 502	\$ 558	(10)
Impact of foreign currency translation			—			—
Operating profit growth excluding above item, on a constant currency basis*			(11)	**		(10)

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

**12 Weeks**

Net revenue was flat and volume grew 2%. The volume growth primarily reflects the introduction of Soft Baked Cookies in the second quarter and high-single-digit growth in granola bars. Net revenue performance benefited from the volume growth, offset by unfavorable net pricing.

Operating profit declined 13%, primarily reflecting higher commodity costs and increased advertising and marketing expenses. Acquisitions and divestitures, primarily reflecting a partnership investment, reduced operating profit performance by 4 percentage points.

**36 Weeks**

Net revenue declined 1% and volume declined 1%. The volume decline primarily reflects high-single-digit declines in granola bars and low-single-digit declines in Oatmeal and ready-to-eat cereals, partially offset by the introduction of Soft Baked Cookies in the second quarter. Net revenue performance primarily reflects the volume decline.

Operating profit declined 11%, primarily reflecting higher commodity costs. Additionally, the benefit from a change in accounting methodology for inventory recorded in the prior year contributed nearly 3 percentage points to the operating profit decline. Acquisitions and divestitures, primarily reflecting a partnership investment, reduced operating profit performance by 2 percentage points.



**Latin America Foods**

	12 Weeks Ended		% Change	36 Weeks Ended		% Change
	9/8/2012	9/3/2011		9/8/2012	9/3/2011	
Net revenue	\$ 1,883	\$ 1,841	2	\$ 5,066	\$ 4,757	7
Impact of foreign currency translation			13			10
Net revenue growth, on a constant currency basis*			15			16 **
Operating profit	\$ 219	\$ 275	(21)	\$ 673	\$ 720	(7)
Restructuring and impairment charges	29	—		41	—	
Operating profit excluding above item*	\$ 248	\$ 275	(10)	\$ 714	\$ 720	(1)
Impact of foreign currency translation			11			10
Operating profit growth excluding above item, on a constant currency basis*			— **			9

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

**12 Weeks**

Net revenue increased 2%, primarily reflecting effective net pricing and volume growth. Volume grew 15%, primarily reflecting acquisitions in Brazil and Argentina in the fourth quarter of 2011, which contributed 11 percentage points to the volume growth. Additionally, Mexico grew at a mid-single-digit rate, partially offset by a low-single-digit decline in Brazil (excluding the impact of the acquisition). Unfavorable foreign currency reduced net revenue growth by 13 percentage points. Acquisitions and divestitures contributed 2 percentage points to the net revenue growth.

Operating profit declined 21%, primarily reflecting higher commodity costs and increased advertising and marketing expenses. Unfavorable foreign currency negatively impacted operating profit performance by 11 percentage points and acquisitions and divestitures positively contributed 2 percentage points to operating profit performance. Restructuring and impairment charges negatively impacted operating profit performance by 11 percentage points.

**36 Weeks**

Net revenue increased 7%, primarily reflecting effective net pricing and volume growth. Volume grew 16%, primarily reflecting acquisitions in Brazil and Argentina in the fourth quarter of 2011, which contributed 11 percentage points to the volume growth. Additionally, Mexico grew at a mid-single-digit rate, partially offset by a low-single-digit decline in Brazil (excluding the impact of the acquisition). Unfavorable foreign currency reduced net revenue growth by 10 percentage points. Acquisitions and divestitures contributed over 2 percentage points to the net revenue growth.

Operating profit declined 7%, primarily reflecting higher commodity costs and increased advertising and marketing expenses, partially offset by the net revenue growth. Unfavorable foreign currency reduced

operating profit growth by 10 percentage points. Restructuring and impairment charges reduced operating profit growth by nearly 6 percentage points.

### ***PepsiCo Americas Beverages***

	12 Weeks Ended		% Change	36 Weeks Ended		% Change
	9/8/2012	9/3/2011		9/8/2012	9/3/2011	
Net revenue	\$ 5,530	\$ 5,947	(7)	\$ 15,330	\$ 16,107	(5)
Impact of foreign currency translation			1			—
Net revenue growth, on a constant currency basis*			(6)			(4) **
Operating profit	\$ 837	\$ 992	(16)	\$ 2,202	\$ 2,533	(13)
Restructuring and impairment charges	33	—		76	—	
Merger and integration charges	—	24		—	77	
Inventory fair value adjustments	—	3		—	16	
Operating profit excluding above items*	\$ 870	\$ 1,019	(15)	\$ 2,278	\$ 2,626	(13)
Impact of foreign currency translation			1			1
Operating profit growth excluding above items, on a constant currency basis*			(13) **			(12)

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

### **12 Weeks**

Net revenue decreased 7%, primarily reflecting the divestiture of our Mexico beverage business in the fourth quarter of 2011, which contributed 6 percentage points to the net revenue decline. Additionally, volume declines were mainly offset by effective net pricing. Volume declined 3%, driven by a 4% decline in North America volume, partially offset by a 2% increase in Latin America volume. North America volume was driven by declines in carbonated soft drink (CSD) volume of 2% and non-carbonated beverage (NCB) volume of 7%. The NCB volume decline primarily reflected a high-single-digit decline in Gatorade sports drinks and a double-digit decline in Tropicana brands. Volume performance in North America was negatively impacted by approximately 1 percentage point due to a calendar shift related to the Labor Day holiday. Latin America volume growth primarily reflected a high-single-digit increase in Brazil and a low-single-digit increase in Mexico, partially offset by a low-single-digit decline in Argentina.

Operating profit declined 16%, primarily reflecting higher commodity costs, the volume declines and increased advertising and marketing expenses, partially offset by the effective net pricing. Excluding the items affecting comparability in the above table (see "Items Affecting Comparability"), operating profit declined 15%. The divestiture of our Mexico beverage business in 2011 contributed over 2 percentage points to the reported operating profit decline.

### 36 Weeks

Net revenue declined 5%, primarily reflecting the divestiture of our Mexico beverage business in the fourth quarter of 2011, which contributed 6 percentage points to the net revenue decline. Additionally, volume declines were more than offset by effective net pricing. Volume declined 2%, driven by a 3% decline in North America volume, partially offset by a 2% increase in Latin America volume. North America volume declines were driven by a 3% decline in both CSD and NCB volumes. The NCB volume decline primarily reflected a double-digit decline in Tropicana brands and a low-single-digit decline in Gatorade sports drinks. Latin America volume growth primarily reflected a mid-single-digit increase in Mexico and a high-single-digit increase in Brazil, partially offset by a double-digit decline in Venezuela.

Operating profit declined 13%, primarily reflecting higher commodity costs, the volume declines and increased advertising and marketing expenses, partially offset by the effective net pricing. The divestiture of our Mexico beverage business in 2011 contributed nearly 2 percentage points to the reported operating profit decline.

### Europe

	12 Weeks Ended		%	36 Weeks Ended		%
	9/8/2012	9/3/2011		Change	9/8/2012	
Net revenue	\$ 3,691	\$ 3,909	(6)	\$ 9,153	\$ 9,329	(2)
Impact of foreign currency translation			12			9
Net revenue growth, on a constant currency basis*			7 **			7
Operating profit	\$ 483	\$ 514	(6)	\$ 1,017	\$ 984	3
Restructuring and impairment charges	(1)	—		(2)	—	
Merger and integration charges	4	11		7	17	
Inventory fair value adjustments	—	—		—	25	
Operating profit excluding above items*	\$ 486	\$ 525	(7)	\$ 1,022	\$ 1,026	—
Impact of foreign currency translation			11			9
Operating profit growth excluding above items, on a constant currency basis*			3 **			8 **

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

## 12 Weeks

Net revenue decreased 6%, primarily reflecting unfavorable foreign currency, which reduced net revenue growth by 12 percentage points, partially offset by effective net pricing.

Snacks volume increased slightly, reflecting high-single-digit growth in Russia (ex-WBD) and mid-single-digit growth in South Africa, partially offset by low-single-digit declines in the United Kingdom and Turkey and mid-single-digit declines in Spain and Poland. Additionally, WBD volume was flat.

Beverage volume increased 1%, reflecting high-single-digit growth in Turkey, double-digit growth in France and mid-single-digit growth at WBD, partially offset by a low-single-digit decline in Germany. Additionally, Russia (ex-WBD) and the United Kingdom each experienced low-single-digit growth.

Operating profit declined 6%, primarily reflecting higher commodity costs, advertising and marketing expenses and general and administrative costs, partially offset by the effective net pricing. Unfavorable foreign currency reduced operating profit performance by 11 percentage points. Additionally, operating profit performance was negatively impacted by 4 percentage points due to certain impairment charges primarily associated with our operations in Greece. Operating profit performance was positively impacted by 8 percentage points due to net favorable adjustments of certain operating items and lapping the negative impact of timing of prior year concentrate shipments which were accelerated from the third quarter to the second quarter of 2011 in connection with our global SAP implementation. Items affecting comparability in the above table (see “Items Affecting Comparability”), positively contributed 1 percentage point to operating profit performance.

## 36 Weeks

Net revenue decreased 2%, primarily reflecting unfavorable foreign currency, which reduced net revenue growth by 9 percentage points. The decline was partially offset by effective net pricing and our acquisition of WBD, which contributed over 2 percentage points to net revenue growth.

Snacks volume grew 4%, primarily reflecting our acquisition of WBD, which contributed 3 percentage points to volume growth and grew at a low-single-digit rate for the comparable post-acquisition period. Double-digit growth in Russia (ex-WBD) was partially offset by a low-single-digit decline in Turkey and a mid-single-digit decline in Poland. Additionally, the United Kingdom grew slightly.

Beverage volume increased 1%, primarily reflecting our acquisition of WBD, which contributed 2 percentage points to volume growth and increased at a low-single-digit rate for the comparable post-acquisition period. Volume growth also reflected mid-single-digit growth in Turkey and low-single-digit growth in the United Kingdom. These increases were partially offset by a high-single-digit decline in Poland and low-single-digit declines in Germany and Russia (ex-WBD).

Operating profit increased 3%, reflecting the effective net pricing, partially offset by higher commodity costs and advertising and marketing expenses. Unfavorable foreign currency reduced operating profit growth by 9 percentage points, and certain impairment charges primarily associated with our operations in Greece as well as less-favorable settlements of promotional spending accruals in the current year each reduced operating profit growth by 2 percentage points. Additionally, the items affecting comparability in the above table (see “Items Affecting Comparability”) contributed 3 percentage points to operating profit growth.

**Asia, Middle East & Africa**

	12 Weeks Ended		%	36 Weeks Ended		%
	9/8/2012	9/3/2011		Change	9/8/2012	
Net revenue	\$ 1,664	\$ 2,098	(21)	\$ 4,696	\$ 5,149	(9)
Impact of foreign currency translation			4			3
Net revenue growth, on a constant currency basis*			(17)			(6)
Operating profit	\$ 317	\$ 285	11	\$ 630	\$ 730	(14)
Restructuring and impairment charges	6	—		23	—	
Restructuring and other charges related to the transaction with Tingyi	—	—		137	—	
Operating profit excluding above items*	\$ 323	\$ 285	13	\$ 790	\$ 730	8
Impact of foreign currency translation			1			1
Operating profit growth excluding above items, on a constant currency basis*			14			10

\* See "Non-GAAP Measures"

\*\* Does not sum due to rounding

**12 Weeks**

Net revenue declined 21%, reflecting the impact of the transaction with Tingyi and the deconsolidation of International Dairy and Juice Limited (IDJ), which reduced net revenue performance by 24 percentage points and 2.5 percentage points, respectively, partially offset by volume growth and effective net pricing.

Snacks volume grew 13%, reflecting broad-based increases driven by double-digit growth in the Middle East, China and India.

Beverage volume grew 15%, reflecting double-digit growth in India and Pakistan, partially offset by a low-single-digit decline in China (excluding new co-branded juice products distributed through our joint venture with Tingyi). Additionally, the Middle East experienced mid-single-digit volume growth. Volume from new co-branded juice products in China contributed 7 percentage points to volume growth.

Operating profit grew 11%, reflecting the volume growth and the effective net pricing, partially offset by higher commodity costs. Additionally, lapping the negative impact of timing of prior year concentrate shipments which were accelerated from the third quarter to the second quarter of 2011 in connection with our global SAP implementation increased operating profit growth by 7 percentage points. The impact of acquisitions and divestitures reduced operating profit growth by 5 percentage points.

## **36 Weeks**

Net revenue declined 9%, reflecting the impact of the transaction with Tingyi and the deconsolidation of IDJ, which reduced net revenue performance by 15 percentage points and 2 percentage points, respectively, partially offset by volume growth and effective net pricing.

Snacks volume grew 16%, reflecting broad-based increases driven by double-digit growth in the Middle East, China and India. Additionally, Australia experienced mid-single-digit growth.

Beverage volume grew 9%, reflecting double-digit growth in India and Pakistan and high-single-digit growth in the Middle East, partially offset by a high-single-digit decline in China (excluding the new co-branded juice products). The decline in China was driven by the introduction of a 500 ml PET value package in the third quarter of 2011, which largely replaced our 600 ml offering in the market, and the transitional impact of the transaction with Tingyi. Volume from new co-branded juice products in China contributed 3 percentage points to volume growth.

Operating profit declined 14%, primarily driven by the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding the items affecting comparability, operating profit increased by 8%, reflecting the volume growth and the effective net pricing, partially offset by higher commodity costs. Additionally, the benefit in the prior year from the recovery of a previously written-off receivable contributed 3 percentage points to the reported operating profit decline. Excluding the restructuring and other charges related to the transaction with Tingyi listed in the above items affecting comparability, the net impact of acquisitions and divestitures had a nominal impact on operating profit performance.

## **Our Liquidity and Capital Resources**

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing (including long-term debt financing which, depending upon market conditions, we may use to replace a portion of our commercial paper borrowings), will be adequate to meet our operating, investing and financing needs. Sources of cash available to us to fund cash outflows, such as our anticipated share repurchases and dividend payments, include cash from operations and proceeds obtained in the U.S. debt markets. However, there can be no assurance that volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all.

As of September 8, 2012, we had cash, cash equivalents and short-term investments of \$4.8 billion outside the U.S. In addition, currency restrictions enacted by the government in Venezuela have impacted our ability to pay dividends outside of the country from our snack and beverage operations in Venezuela. As of September 8, 2012, our operations in Venezuela held 8% of our cash and cash equivalents balance. To the extent foreign earnings are repatriated, such amounts would be subject to income tax liabilities, both in the U.S. and in the various applicable foreign tax jurisdictions.

## ***Operating Activities***

During the 36 weeks in 2012, net cash provided by operating activities was \$5.1 billion, compared to net cash provided of \$5.8 billion in the prior year period. The operating cash flow performance primarily reflects discretionary pension and retiree medical contributions of \$1 billion in the current year, partially offset by favorable working capital comparisons to the prior year.

**Investing Activities**

During the 36 weeks in 2012, net cash used for investing activities was \$1.7 billion, primarily reflecting \$1.4 billion for net capital spending and \$0.3 billion of cash payments related to the transaction with Tingyi.

**Financing Activities**

During the 36 weeks in 2012, net cash used for financing activities was \$2.2 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$4.8 billion and short-term borrowings of \$2.2 billion, partially offset by net proceeds from long-term debt of \$3.9 billion and stock option proceeds of \$0.9 billion. We anticipate dividends and share repurchases of more than \$6 billion in 2012.

**Management Operating Cash Flow**

We focus on management operating cash flow as a key element in achieving maximum shareholder value. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Additionally, we consider certain items (included in the table below), in evaluating management operating cash flow. We believe investors should consider these items in evaluating our management operating cash flow results. Management operating cash flow excluding certain items is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP cash flow measures.

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

	36 Weeks Ended	
	9/8/2012	9/3/2011
Net cash provided by operating activities	\$ 5,118	\$ 5,834
Capital spending	(1,409)	(1,962)
Sales of property, plant and equipment	58	46
Management operating cash flow	3,767	3,918
Discretionary pension and retiree medical contributions (after-tax)	770	—
Payments related to restructuring charges (after-tax)	203	1
Merger and integration payments (after-tax)	44	223
Capital investments related to the PBG/PAS integration	8	91
Capital investments related to the Productivity Plan	12	—
Payments for restructuring and other charges related to the transaction with Tingyi	98	—
Management operating cash flow excluding above items	\$ 4,902	\$ 4,233

We expect to continue to return management operating cash flow to our shareholders through dividends and share repurchases while maintaining credit ratings that provide us with ready access to global and capital credit markets. However, see 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for certain factors that may impact our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, could increase our future borrowing costs or impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and *Debt Obligations and Commitments* in the notes to the condensed consolidated financial statements.



Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
PepsiCo, Inc.:

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of September 8, 2012, the related Condensed Consolidated Statements of Income and Comprehensive Income for the twelve and thirty-six weeks ended September 8, 2012 and September 3, 2011, and the related Condensed Consolidated Statements of Cash Flows and Equity for the thirty-six weeks ended September 8, 2012 and September 3, 2011. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 31, 2011, and the related Consolidated Statements of Income, Cash Flows and Equity for the fiscal year then ended not presented herein; and in our report dated February 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2011, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP

New York, New York  
October 17, 2012

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Business Risks” and *Financial Instruments* in the notes to the condensed consolidated financial statements. In addition, see Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Business Risks in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

ITEM 4. Controls and Procedures.

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

During our third fiscal quarter of 2012, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. Moreover, we continue to integrate our WBD business, which was acquired in 2011. In connection with these implementations and integration, and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain suitable controls over our financial reporting.

Except as described above, there were no changes in our internal control over financial reporting during our third fiscal quarter of 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1. Legal Proceedings.

The following information supplements and amends the discussion set forth under Part I, Item 3 “Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by our Quarterly Reports on Form 10-Q for the quarters ended March 24, 2012 and June 16, 2012.

As previously disclosed, on May 8, 2011, Kozep-Duna-Volgyi Kornyezetvedelmi, Termeszettvedelmi es Vizugyi Felugyeloseg (Budapest), the regional Hungarian governmental authority, notified our subsidiary, Fovarosi Asvanyviz- es Uditoipari Zrt., that it assessed monetary sanctions of approximately \$220,000 for alleged violation of applicable wastewater discharge standards in 2010. Fovarosi Asvanyviz- es Uditoipari Zrt. appealed this decision, and the appeal is pending. On August 9, 2012, Kozep-Duna-Volgyi Kornyezetvedelmi, Termeszettvedelmi es Vizugyi Felugyeloseg notified Fovarosi Asvanyviz- es Uditoipari Zrt. that it assessed monetary sanctions of approximately \$153,000 for alleged violation of applicable wastewater discharge standards in 2011. Fovarosi Asvanyviz- es Uditoipari Zrt. appealed this decision, and the appeal is pending.

In addition, we and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows. See Item 1. Business - Regulatory Environment and Environmental Compliance in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

### ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

### 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 third quarter under the \$15.0 billion repurchase program authorized by our Board of Directors and publicly announced on March 15, 2010, and expiring on June 30, 2013, is set forth in the following table. All such shares of common stock were repurchased pursuant to open market transactions.

### Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
06/16/12				\$ 9,794
6/17/12 – 7/14/12	4.5	\$ 69.68	4.5	(316)
				9,478
7/15/12 – 8/11/12	3.9	\$ 70.57	3.9	(271)
				9,207
8/12/12 – 9/8/12	7.5	\$ 72.69	7.5	(547)
<b>Total</b>	<b>15.9</b>	<b>\$ 71.32</b>	<b>15.9</b>	<b>\$ 8,660</b>

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

### Issuer Purchases of Convertible Preferred Stock

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may Yet Be Purchased Under the Plans or Programs
06/16/12				
6/17/12 – 7/14/12	2,200	\$ 341.96	N/A	N/A
7/15/12 – 8/11/12	2,400	\$ 349.46	N/A	N/A
8/12/12 – 9/8/12	—	—	N/A	N/A
<b>Total</b>	<b>4,600</b>	<b>\$ 345.87</b>	<b>N/A</b>	<b>N/A</b>

#### ITEM 6. Exhibits

See Index to Exhibits on page [52](#).

**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: October 17, 2012

/s/ Marie T. Gallagher  
Marie T. Gallagher  
Senior Vice President and Controller

Date: October 17, 2012

/s/ Kelly Mahon Tullier  
Kelly Mahon Tullier  
Senior Vice President,  
Deputy General Counsel  
(Duly Authorized Officer)

INDEX TO EXHIBITS  
ITEM 6

EXHIBITS

- Exhibit 2.1 Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., The Pepsi Bottling Group, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
- Exhibit 2.2 Agreement and Plan of Merger dated as of August 3, 2009, among PepsiCo, Inc., PepsiAmericas, Inc. and Pepsi-Cola Metropolitan Bottling Company, Inc. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.2 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2009.
- Exhibit 2.3 Purchase Agreement dated as of December 1, 2010 among PepsiCo, Inc., Pepsi-Cola (Bermuda) Limited, Gavril A. Yushvaev, David Iakobachvili, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, Mikhail I. Vishnaykov, Aladaro Limited, Tony D. Maher, Dmitry Ivanov, Wimm Bill Dann Finance Cyprus Ltd. and Wimm-Bill-Dann Finance Co. Ltd. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2010.
- Exhibit 3.1 Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011.
- Exhibit 3.2 By-laws of PepsiCo, Inc., as amended, effective as of March 8, 2012, 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 March 12, 2012.
- Exhibit 4.1 Form of 0.700% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- Exhibit 4.2 Form of 1.250% Senior Note due 2017, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- Exhibit 4.3 Form of 3.600% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- Exhibit 4.4 Board of Directors Resolutions Authorizing PepsiCo's Officers to Establish the Terms of the 0.700% Senior Notes due 2015, the 1.250% Senior Notes due 2017 and the 3.600% Senior Notes due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo's Current Report filed on Form 8-K with the Securities and Exchange Commission on May 6, 2011.
- Exhibit 10.1 PepsiCo Director Deferral Program, amended and restated effective as of January 1, 2005 with revisions through September 19, 2012.

Exhibit 10.2	Summary of Compensation Arrangements for Zein Abdalla.
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 14	PepsiCo, Inc. Global Code of Conduct.
Exhibit 15	Letter re: Unaudited Interim Financial Information.
Exhibit 24	Power of Attorney executed by Indra K. Nooyi, Hugh F. Johnston, Marie T. Gallagher, Shona L. Brown, Ian M. Cook, Dina Dublon, Victor J. Dzau, Ray L. Hunt, Alberto Ibarguen, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Alberto Weisser, which is incorporated herein by reference to Exhibit 24 to PepsiCo's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
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 September 8, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) notes to the condensed consolidated financial statements.

**PEPSICO**

**DIRECTOR**

**DEFERRAL PROGRAM**

**Plan Document for the 409A Program**  
**Amended and Restated Effective as of January 1, 2005**  
**(with Revisions through September 19, 2012)**



## TABLE OF CONTENTS

	<u>Page</u>
<b>ARTICLE I - INTRODUCTION</b>	<b>1</b>
<b>ARTICLE II - DEFINITIONS</b>	<b>3</b>
2.01    ACCOUNT	3
2.02    ACT	3
2.03    BENEFICIARY	3
2.04    CODE	3
2.05    COMPANY	3
2.06    COMPENSATION YEAR	3
2.07    DEFERRAL SUBACCOUNT	4
2.08    DIRECTOR	4
2.09    DIRECTOR COMPENSATION	4
2.10    DISABILITY	5
2.11    DISTRIBUTION VALUATION DATE	5
2.12    ELECTION FORM	5
2.13    ELIGIBLE DIRECTOR	6
2.14    ERISA	6
2.15    FAIR MARKET VALUE	6
2.16    409A PROGRAM	6
2.17    KEY EMPLOYEE	6
2.18    MANDATORY DEFERRAL	7
2.19    PARTICIPANT	7
2.20    PEPSICO ORGANIZATION	7
2.21    PLAN	7
2.22    PLAN ADMINISTRATOR	7
2.23    PLAN YEAR	8
2.24    PRE-409A PROGRAM	8
2.25    RECORDKEEPER	8
2.26    RETAINER COMPENSATION	8
2.27    SECOND LOOK ELECTION	8
2.28    SECTION 409A	8
2.29    SEPARATION FROM SERVICE	8
2.30    SPECIFIC PAYMENT DATE	9
2.31    UNFORESEEABLE EMERGENCY	9
2.32    VALUATION DATE	9
<b>ARTICLE III - ELIGIBILITY AND PARTICIPATION</b>	<b>10</b>
3.01    ELIGIBILITY TO PARTICIPATE	10
3.02    TERMINATION OF ELIGIBILITY TO DEFER	10
3.03    TERMINATION OF PARTICIPATION	10

## TABLE OF CONTENTS

	<u>Page</u>
<b>ARTICLE IV - DEFERRAL OF COMPENSATION</b>	11
4.01    DEFERRAL ELECTION	11
4.02    TIME AND MANNER OF DEFERRAL ELECTION	12
4.03    PERIOD OF DEFERRAL; FORM OF PAYMENT	14
4.04    SECOND LOOK ELECTION	15
4.05    MANDATORY DEFERRALS	17
<b>ARTICLE V - INTERESTS OF PARTICIPANTS</b>	19
5.01    ACCOUNTING FOR PARTICIPANTS' INTERESTS	19
5.02    PHANTOM INVESTMENT OF ACCOUNT	19
5.03    VESTING OF A PARTICIPANT'S ACCOUNT	22
5.04    PROHIBITED MISCONDUCT	22
<b>ARTICLE VI - DISTRIBUTIONS</b>	23
6.01    GENERAL	23
6.02    DISTRIBUTIONS BASED ON A SPECIFIC PAYMENT DATE	24
6.03    DISTRIBUTIONS ON ACCOUNT OF A SEPARATION FROM SERVICE	24
6.04    DISTRIBUTIONS ON ACCOUNT OF DEATH	26
6.05    DISTRIBUTIONS ON ACCOUNT OF DISABILITY	27
6.06    DISTRIBUTIONS ON ACCOUNT OF UNFORESEEABLE EMERGENCY	28
6.07    DISTRIBUTIONS OF MANDATORY DEFERRALS	28
6.08    VALUATION	29
6.09    IMPACT OF SECTION 16 OF THE ACT ON DISTRIBUTIONS	29
6.10    ACTUAL PAYMENT DATE	29
<b>ARTICLE VII - PLAN ADMINISTRATION</b>	30
7.01    PLAN ADMINISTRATOR	30
7.02    ACTION	30
7.03    POWERS OF THE PLAN ADMINISTRATOR	30
7.04    COMPENSATION, INDEMNITY AND LIABILITY	31
7.05    WITHHOLDING	31
7.06    SECTION 16 COMPLIANCE	32
7.07    CONFORMANCE WITH SECTION 409A	33
<b>ARTICLE VIII - CLAIMS PROCEDURE</b>	34
8.01    CLAIMS FOR BENEFITS	34
8.02    APPEALS OF DENIED CLAIMS	34
8.03    SPECIAL CLAIMS PROCEDURES FOR DISABILITY DETERMINATIONS	34
<b>ARTICLE IX - AMENDMENT AND TERMINATION</b>	35
9.01    AMENDMENT OF PLAN	35
9.02    TERMINATION OF PLAN	35

## TABLE OF CONTENTS

	<u>Page</u>
<b>ARTICLE X - MISCELLANEOUS</b>	36
10.01    LIMITATION ON PARTICIPANT'S RIGHTS	36
10.02    UNFUNDED OBLIGATION OF THE COMPANY	36
10.03    OTHER PLANS	36
10.04    RECEIPT OR RELEASE	36
10.05    GOVERNING LAW	36
10.06    GENDER, TENSE, AND EXAMPLES	37
10.07    SUCCESSORS AND ASSIGNS; NONALIENATION OF BENEFITS	37
10.08    FACILITY OF PAYMENT	37
<b>ARTICLE XI - AUTHENTICATION</b>	38
<b>ARTICLE XII - SIGNATURE</b>	39
<b>APPENDIX</b>	APPENDIX
<b>APPENDIX ARTICLE A - TRANSITION PROVISIONS</b>	A-1

## ARTICLE I - INTRODUCTION

PepsiCo, Inc. (the "Company") established the PepsiCo Director Deferral Program (the "Plan") to permit Eligible Directors to defer certain compensation paid to them as Directors.

The Plan consists of two primary components, each of which is subject to separate documentation: (i) deferrals under the Plan that were earned and vested prior to the 2004-2005 Compensation Year (the "Pre-409A Program"), and (ii) deferrals under the Plan that were not earned and vested prior to the 2004-2005 Compensation Year (the "409A Program"). The 409A Program is governed by this document. The Pre-409A Program is governed by a separate set of documents. Except as otherwise provided herein, this document reflects the provisions in effect from and after January 1, 2005, and the rights and benefits of individuals who are Participants in the Plan from and after that date (and of those claiming through or on behalf of such individuals) shall be governed by the provisions of this document in the case of actions and events occurring on or after January 1, 2005, with respect to deferrals that are subject to the 409A Program. For purposes of the preceding sentence, the term "actions and events" shall include all distribution trigger events and dates. The rights and benefits with respect to persons who only participated in the Plan prior to January 1, 2005 shall be governed by the applicable provisions of the Pre-409A Program documents that were in effect at such time, and shall not be governed by the 409A Program documents.

The Plan was restated on March 10, 2011. This restatement amended the Plan's rules regarding installment payment options by (i) adding a 10-year installment payment option to the Plan, and (ii) eliminating the prohibition on the payment of installments after a Participant has attained age 80. The restatement also extended the minimum deferral period for elective deferrals to the first day of the Plan Year following the date that is 12 months after the date the Director Compensation would otherwise be payable to the Participant. All of these changes are effective for deferral elections made on and after March 11, 2011.

The document for the 409A Program was most recently restated as of September 19, 2012. This restatement reflected changes in the Company's payment of Retainer Compensation, which shifted from payment annually in advance (on each October 1) to semiannually in arrears (with the first payment in arrears to be made in December 2013 for services as a Director during the period June 1, 2013 to November 30, 2013).

Together, the documents for the 409A Program and the documents for the Pre-409A Program describe the terms of a single plan. However, amounts subject to the terms of this 409A Program and amounts subject to the terms of the Pre-409A Program shall be tracked separately at all times. The preservation of the terms of the Pre-409A Program, without material modification, and the separation between the 409A Program amounts and the Pre-409A Program amounts are intended to permit the Pre-409A Program to remain exempt from Section 409A and the administration of the Plan shall be consistent with this intent.

For federal income tax purposes, the Plan is intended to be a nonqualified unfunded deferred compensation plan that is unfunded and unsecured. For purposes of ERISA, the Plan is intended to be exempt from ERISA coverage as a plan that solely benefits non-employees (or

alternatively, a plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA providing benefits to a select group of management or highly compensated employees).

## Article II – DEFINITIONS

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

### 2.01 Account:

The account maintained for a Participant on the books of the Company to determine, from time to time, the Participant's interest under this Plan. The balance in such Account shall be determined by the Plan Administrator. Each Participant's Account shall consist of at least one Deferral Subaccount for each separate deferral under Section 4.01. The Recordkeeper may also establish such additional Deferral Subaccounts as it deems necessary for the proper administration of the Plan. The Recordkeeper may also combine Deferral Subaccounts to the extent it deems separate accounts are not needed for sound recordkeeping. Where appropriate, a reference to a Participant's Account shall include a reference to each applicable Deferral Subaccount that has been established thereunder.

### 2.02 Act:

The Securities Exchange Act of 1934, as amended from time to time.

### 2.03 Beneficiary:

The person or persons (including a trust or trusts) properly designated by a Participant, as determined by the Plan Administrator, to receive the amounts in one or more of the Participant's Deferral Subaccounts in the event of the Participant's death in accordance with Section 4.02(c).

### 2.04 Code:

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

### 2.05 Company:

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

### 2.06 Compensation Year:

The 12-month period of time for which Directors are paid Retainer Compensation for their services on the Board of Directors.

(a) Period Effective June 1, 2013. Effective June 1, 2013 (but subject to subsection (c) below), the applicable 12-month period shall begin on June 1 in one calendar year and shall continue until May 31 of the following calendar year.

(b) Period Effective Prior to June 1, 2013. Prior to June 1, 2013 (but subject to subsection (c) below), the applicable 12-month period is the period that begins on October 1 in one calendar year and continues until September 30 of the following calendar year.

(c) Transition Provision. To preserve the applicability of elections made by Directors during 2011 (“2011 electing Directors”) in accordance with their original terms, Retainer Compensation payable to a 2011 electing Director for services provided from October 1, 2012 through September 30, 2013 shall be treated as Retainer Compensation that is and remains subject to the 2011 electing Director’s election that was made in 2011. As a result of this transitional preservation of such elections, the Plan will be administered:

- (1) With respect to such deferral elections of Retainer Compensation, and
- (2) For purposes of the effective date provisions of Sections 4.01 and 4.02 with respect to 2011 electing Directors,

by applying a full 12-month Compensation Year from October 1, 2012 to September 30, 2013, a short Compensation Year from October 1, 2013 to May 31, 2014, and then a full 12-month Compensation Year from June 1, 2014 to May 31, 2015. The Compensation Years applied under the prior sentence shall also be applied for purposes of the effective date provisions.

#### 2.07 Deferral Subaccount:

A subaccount of a Participant's Account maintained to reflect his or her interest in the Plan attributable to each deferral (or separately tracked portion of a deferral) of Director Compensation, and earnings or losses credited to such subaccount in accordance with Section 5.01(b).

#### 2.08 Director:

A person who is a member of the Board of Directors of the Company and who is not currently an employee of the PepsiCo Organization.

#### 2.09 Director Compensation:

Direct monetary remuneration to the extent payable (if not deferred) in cash in U.S. dollars to the Eligible Director by the Company, as well as compensation from the Company for services as a Director that the Company requires be deferred under Section 4.05 as a Mandatory Deferral. Director Compensation shall not include the amount of any reimbursement by the Company for expenses incurred by the Eligible Director in the discharge of his or her duties as a member of the Board of Directors of the Company. Subject to the next sentence, the Director Compensation shall be limited to the amount due an Eligible Director for the discharge of his or her duties as a member of the Board of Directors of the Company, and shall be reduced for any applicable tax levies, garnishments and other legally required deductions. Notwithstanding the preceding sentence, an Eligible Director’s Director Compensation may be reduced by an item described in the preceding sentence only to the extent such reduction does not violate Section 409A. Director Compensation is composed of Retainer Compensation and Mandatory Deferrals.

## 2.10 Disability:

A Participant shall be considered to suffer from a Disability, if, in the judgment of the Recordkeeper (based on the provisions of Section 409A and any guidelines established by the Plan Administrator for this purpose), the Participant –

(a) Is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(b) By reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than 3 months under an accident and health plan of the Company.

Solely for those Participants who are otherwise eligible for Social Security, a Participant who is determined to be totally disabled by the Social Security Administration will be deemed to satisfy the requirements of Subsection (a), and a Participant who has not been determined to be totally disabled by the Social Security Administration will be deemed to not meet the requirements of Subsection (a).

## 2.11 Distribution Valuation Date:

Each date as specified by the Plan Administrator from time to time as of which Participant Accounts are valued for purposes of a distribution from a Participant's Account. The current Distribution Valuation Dates are January 1, April 1, July 1 and October 1. Any current Distribution Valuation Date may be changed by the Plan Administrator, provided that such change does not result in a change in when deferrals are paid out that is impermissible under Section 409A. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the following business day.

## 2.12 Election Form:

The form prescribed by the Plan Administrator on which a Participant specifies:

(a) In the case of an initial election, either (i) the amount of his or her Retainer Compensation to be deferred and the timing and form of his or her related deferral payout, or (ii) the form of payout for his or her Mandatory Deferral, in each case pursuant to the provisions of Article IV, and

(b) In the case of a Second Look Election, the revised timing and form of his or her deferral that is the subject of the Second Look Election, pursuant to the provisions of Section 4.04.

An Election Form need not exist in a paper format, and it is expressly authorized that the Plan Administrator may make available for use such technologies, including voice response systems, Internet-based forms and any other electronic forms, as it deems appropriate from time to time.



2.13 Eligible Director:

The term “Eligible Director” shall have the meaning given to it in Section 3.01(b).

2.14 ERISA:

Public Law 93-406, the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.15 Fair Market Value:

For purposes of converting a Participant’s deferrals to phantom PepsiCo Common Stock as of any date, the Fair Market Value of such stock is the closing price on such date (or if such date is not a trading date, the first date immediately following such date that is a trading date) for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places. For purposes of determining the value of a Plan distribution, the Fair Market Value of phantom PepsiCo Common Stock is determined as the closing price on the applicable Distribution Valuation Date for PepsiCo Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, Inc., rounded to four decimal places.

2.16 409A Program:

The term “409A Program” shall have the meaning given to it in Article 1.

2.17 Key Employee:

The individuals identified in accordance with the principles set forth below.

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

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

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

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

For purposes of (1) above, no more than 50 employees identified in the order of their annual compensation shall be treated as officers. For purposes of this Section, annual compensation means compensation as defined in Treas. Reg. §1.415(c)-2(a), without regard to Treas. Reg. §§1.415(c)-2(d), 1.415(c)-2(e), and 1.415(c)-2(g). The Plan Administrator shall determine who is a Key Employee in accordance with Code Section 416(i) and the applicable regulations and other guidance of general applicability issued thereunder or in connection therewith (provided, that Code Section 416(i)(5) shall not apply in making such determination), and provided further that the applicable year shall be determined in accordance with Section

409A and that any modification of the foregoing definition that applies under Section 409A shall be taken into account.

(b) Applicable Year. The Plan Administrator shall determine Key Employees as of the last day of each calendar year (the “determination date”), based on compensation for such year, and the designation for a particular determination date shall be effective for purposes of this Plan for the twelve month period commencing on April 1 of the next following calendar year (*e.g.*, the Key Employees determined by the Plan Administrator as of December 31, 2008, shall apply to the period from April 1, 2009, to March 31, 2010).

(c) Rule of Administrative Convenience. Effective on and after January 1, 2008, in addition to the foregoing, the Plan Administrator shall treat all other employees classified as Band IV and above on the applicable determination date prescribed in subsection (b) as Key Employees for purposes of the Plan for the twelve month period commencing on April 1<sup>st</sup> of the next following calendar year, provided that if this would result in counting more than 200 individuals as Key Employees as of any such determination date, then the number treated as Key Employees will be reduced to 200 by eliminating from consideration those employees otherwise added by this subsection (c) in order by their base compensation, from the lowest to the highest.

#### 2.18 Mandatory Deferral:

The term “Mandatory Deferral” shall have the meaning given to it in Section 4.05.

#### 2.19 Participant:

Any Director who is qualified to participate in this Plan in accordance with Section 3.01 and who has an Account. A Director or former Director who became a Participant in accordance with the preceding sentence shall remain a Participant until his or her participation terminates in accordance with Section 3.03. An active Participant is one who is currently deferring under Section 4.01.

#### 2.20 PepsiCo Organization:

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

#### 2.21 Plan:

The PepsiCo Director Deferral Program, comprised of (i) the 409A Program set forth herein and (ii) the Pre-409A Program set forth in a separate set of documents, as each may be amended and restated from time to time (subject to the limitations on amendment that are applicable hereunder and under the Pre-409A Program).

#### 2.22 Plan Administrator:

The Board of Directors of the Company or its delegate or delegates, which shall have the authority to administer the Plan as provided in Article VII. As of the Effective Date, the

Company's Senior Vice President, Total Rewards is delegated the responsibility for the operational administration of the Plan. In turn, the Senior Vice President, Total Rewards has the authority to re-delegate operational responsibilities to other persons or parties. As of the Effective Date, the Senior Vice President, Total Rewards has re-delegated certain operational responsibilities to the Recordkeeper. However, references in this document to the Plan Administrator shall be understood as referring to the Board of Directors, the Senior Vice President, Total Rewards and those delegated by the Senior Vice President, Total Rewards other than the Recordkeeper. All delegations made under the authority granted by this Section are subject to Section 7.06.

2.23 Plan Year:

The 12-consecutive month period beginning on January 1 and ending on December 31.

2.24 Pre-409A Program:

The term "Pre-409A Program" shall have the meaning given to it in Article 1.

2.25 Recordkeeper:

For any designated period of time, the party (which may include the Company's Compensation Department) that is delegated the responsibility, pursuant to the authority granted in the definition of Plan Administrator, to maintain the records of Participant Accounts, process Participant transactions and perform other duties in accordance with any procedures and rules established by the Plan Administrator.

2.26 Retainer Compensation:

Director Compensation that is payable in cash as a retainer for general services as a Director, as well as additional amounts payable in cash for Director activities such as service as the chair of a committee of the Company's Board of Directors. Director Compensation that is a Mandatory Deferral is not Retainer Compensation.

2.27 Second Look Election:

The term "Second Look Election" shall have the meaning given to it in Section 4.04.

2.28 Section 409A:

Code Section 409A and the applicable regulations and other guidance of general applicability that are issued thereunder.

2.29 Separation from Service:

A Participant's separation from service as defined in Section 409A; provided that for purposes determining whether a Separation from Service has occurred, the Plan has determined, based upon legitimate business criteria, to use the twenty percent (20%) test described in Treas. Reg. §1.409A-1(h)(3). In the event the Participant also provides services other than as a Director

for the Company and its affiliates, as determined under the prior sentence, such other services shall not be taken into account in determining when a Separation from Service occurs to the extent permitted under Treas. Reg. § 1.409A-1(h)(5). The term may also be used as a verb (*i.e.*, “Separates from Service”) with no change in meaning.

#### 2.30 Specific Payment Date:

A specific date selected by an Eligible Director that triggers a lump sum payment of a deferral or the start of installment payments for a deferral, as specified in Section 4.03 or 4.04. The Specific Payment Dates that are available to be selected by Eligible Directors shall be determined by the Plan Administrator. With respect to any deferral, the currently available Specific Payment Date(s) shall be the date or dates reflected on the Election Form or the Second Look Election Form that is made available by the Plan Administrator for the deferral. In the event that an Election Form or Second Look Election Form only provides for selecting a month and a year as the Specific Payment Date, the first day of the month that is selected shall be the Specific Payment Date. As of the Effective Date, the Specific Payment Date is January 1 of the year specified by the Eligible Director.

#### 2.31 Unforeseeable Emergency:

A severe financial hardship to the Participant resulting from –

(a) An illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary or the Participant’s dependent (as defined in Code Section 152(a) without regard to Code Sections 152(b)(1), 152(b)(2) and 152(d)(1)(B));

(b) Loss of the Participant’s property due to casualty (including, effective January 1, 2009, the need to rebuild a home following damage to the home not otherwise covered by insurance); or

(c) Any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

The Recordkeeper shall determine the occurrence of an Unforeseeable Emergency in accordance with Treas. Reg. §1.409A-3(i)(iii) and any guidelines that may be established by the Plan Administrator.

#### 2.32 Valuation Date:

Each business day, as determined by the Recordkeeper, as of which Participant Accounts are valued in accordance with Plan procedures that are currently in effect. The Plan Administrator may change the Valuation Dates for future deferrals at any time before the election to make such deferrals becomes irrevocable under the Plan. The Plan Administrator may change the Valuation Dates for existing deferrals only to the extent that such change is permissible under Section 409A.

Article III – ELIGIBILITY AND PARTICIPATION

3.01 Eligibility to Participate:

(a) An individual shall be eligible to defer compensation under the Plan during the period that he or she is a Director hereunder.

(b) During the period an individual satisfies the eligibility requirements of this Section, he or she shall be referred to as an Eligible Director.

(c) Each Eligible Director shall become an active Participant on the earlier of the date an amount is first withheld from his or her compensation pursuant to an Election Form submitted by the Director to the Plan Administrator under Section 4.01 or, effective October 1, 2007, the date on which a Mandatory Deferral is first credited to the Plan on his or her behalf under Section 4.05.

3.02 Termination of Eligibility to Defer:

An individual's eligibility to participate actively by making deferrals under Section 4.01 shall cease as soon as administratively practicable following the date he or she ceases to be a Director.

3.03 Termination of Participation:

An individual, who has been an active Participant under the Plan, ceases to be a Participant on the date his or her Account is fully paid out.

## Article IV – DEFERRAL OF COMPENSATION

### 4.01 Deferral Election:

(a) Each Eligible Director may make an election to defer under the Plan in 10% increments up to 100% of his or her Retainer Compensation for an applicable period in the manner described in Section 4.02. Such election to defer shall apply to Retainer Compensation in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election shall apply to Retainer Compensation that, in the absence of a deferral election, would be paid to the Director during a single calendar year. A newly Eligible Director may only defer the portion of his or her Retainer Compensation, which otherwise would be payable in the calendar year in which he or she becomes an Eligible Director, to the extent that it is earned for services performed after the date of his or her election. For this purpose, if a valid Election Form is received prior to the date on which the Eligible Director becomes a Director and the Election Form is effective under Section 4.02 as of the date on which the Eligible Director becomes a Director, then the Director shall be deemed to earn all of his or her Retainer Compensation for the calendar year in which he or she becomes an Eligible Director after the date of the election; otherwise, only Retainer Compensation earned for months that begin after when the newly Eligible Director's Election Form is received are subject to deferral. Any Retainer Compensation deferred by an Eligible Director for a calendar year will be deducted on each payment date during the calendar year for which he or she has Retainer Compensation and is an Eligible Director. In accordance with the default rule in Treasury Regulation § 1.409A-2(a)(13), Retainer Compensation that is paid – (i) following the end of a calendar year (in accordance with normal payment timing arrangements for the payroll period that contains the last day of such calendar year), and (ii) for services performed during such calendar year, shall be treated as Retainer Compensation for services performed during the following calendar year (and will be subject to deferral only in accordance with a deferral election for such following calendar year).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election shall apply to Retainer Compensation that is earned for services performed in the corresponding Compensation Year. A newly Eligible Director may only defer the portion of his or her eligible Retainer Compensation for the Compensation Year in which he or she becomes an Eligible Director that is earned for services performed after the date of his or her election. For this purpose, if a valid Election Form is received prior to the date on which the Eligible Director becomes a Director and the Election Form is effective under Section 4.02 as of the date on which the Eligible Director becomes a Director, then the Director shall be deemed to receive all of his or her Retainer Compensation for the Compensation Year in which he or she becomes an Eligible Director after the date of the election. Any Retainer Compensation deferred by an Eligible Director for a Compensation Year will be deducted for each payment period during the Compensation Year for which he or she has Retainer Compensation and is an Eligible Director. Retainer

Compensation paid after the end of a Compensation Year for services performed during such initial Compensation Year shall be treated as Director Compensation for services performed during such initial Compensation Year.

(b) To be effective, an Eligible Director's Election Form must set forth the percentage of Retainer Compensation to be deferred and any other information that may be requested by the Plan Administrator from time to time. In addition, the Election Form must meet the requirements of Section 4.02.

4.02 Time and Manner of Deferral Election:

(a) Deferral Election Deadlines. An Eligible Director must make a deferral election for Retainer Compensation in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election for Retainer Compensation shall be made no later than November 15 of the calendar year that immediately precedes the calendar year in which such Retainer Compensation would be paid in the absence of a deferral election. If November 15 of such calendar year is not a business day, then the deferral election must be made by the first business day following November 15 of such year. A newly Eligible Director may submit an Election Form (i) prior to becoming an Eligible Director, or (ii) on or after becoming an Eligible Director, but any form submitted must be received within 30 days of when he or she first becomes an Eligible Director (and such Election Form will be effective immediately upon receipt or, if later, the commencement of the individual's status as an Eligible Director).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a Director's deferral election for Retainer Compensation earned for services performed in a Compensation Year shall be made no later than December 31 of the calendar year immediately prior to the beginning of the Compensation Year (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). If December 31 of such year is not a business day, then the deadline for deferral elections will be the first business day preceding December 31 of such year. In addition, an individual, who has been nominated for Director status, must submit an Election Form prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and such Election Form will be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director.

(b) General Provisions. A separate deferral election under subsection (a) above must be made by an Eligible Director in accordance with paragraph (1) or (2) below, whichever applies as of the time in question.

(1) Effective for Compensation Years beginning on or after October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a separate deferral election under subsection (a) above must be made by an Eligible Director for each calendar year's Retainer Compensation. If a properly completed and executed Election Form is not actually received by the Plan Administrator (or, if authorized by the Plan Administrator for this purpose, the Recordkeeper) by the time prescribed in subsection (a)(1) above, the Eligible Director will be deemed to have elected not to defer any Retainer Compensation for the applicable calendar year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage an Eligible Director elects to defer for a calendar year shall not be permitted from and after the beginning of the calendar year to which the deferral election applies (or in the case of a Newly Eligible Director's first calendar year, from and after the effective date of his or her deferral election for such calendar year). Notwithstanding the preceding sentence, if an Eligible Director receives a distribution on account of an Unforeseeable Emergency pursuant to Section 6.06, the Plan Administrator may cancel the Eligible Director's deferral election for the calendar year in which such distribution occurs. If an election is cancelled because of a distribution on account of an Unforeseeable Emergency, such cancellation shall permanently apply to the deferral election for such calendar year, and the Director may be eligible to make a new deferral election only for a subsequent calendar year (and only as permitted by the rules in Sections 4.01 and 4.02).

(2) Effective for Compensation Years beginning before October 1, 2013 (October 1, 2012, for a Director joining the Board after 2011), a separate deferral election under subsection (a) above must be made by an Eligible Director for each Compensation Year's Retainer Compensation that is eligible for deferral. If a properly completed and executed Election Form is not actually received by the Plan Administrator (or, if authorized by the Plan Administrator for this purpose, the Recordkeeper) by the time prescribed in subsection (a)(2) above, the Eligible Director will be deemed to have elected not to defer any Retainer Compensation for the applicable Compensation Year. Except as provided in the next sentence, an election is irrevocable once received and determined by the Plan Administrator to be properly completed (and such determination shall be made not later than the last date for making the election in question). Increases or decreases in the amount or percentage an Eligible Director elects to defer shall not be permitted from and after the beginning of the calendar year during which the applicable Compensation Year begins (or in the case of a Newly Eligible Director's first Compensation Year, from and after the date he or she becomes an Eligible Director); provided that if an Eligible Director receives a distribution on account of an Unforeseeable Emergency pursuant to Section 6.06, the Plan Administrator may cancel the Eligible Director's deferral election for the year in which such distribution occurs. If an election is cancelled because of a distribution on account of an Unforeseeable Emergency, such cancellation shall permanently apply to the deferral election for such year, and the Director may be eligible to make a new deferral election only for a subsequent year (and only as permitted by the rules in Sections 4.01 and 4.02).



(c) Beneficiaries. A Participant may designate on the Election Form (or in some other manner authorized by the Plan Administrator) one or more Beneficiaries to receive payment, in the event of his or her death, of the amounts credited to his or her Account; provided that, to be effective, any Beneficiary designation must be in writing, signed by the Participant, and must meet such other standards (including any requirement for spousal consent) as the Plan Administrator shall require from time to time. The Beneficiary designation must also be filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) prior to the Participant's death. An incomplete Beneficiary designation, as determined by the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose), shall be void and of no effect. In determining whether a Beneficiary designation that relates to the Plan is in effect, unrevoked designations that were received under the Pre-409A Program or prior to the Effective Date shall be considered. A Beneficiary designation of an individual by name remains in effect regardless of any change in the designated individual's relationship to the Participant. Any Beneficiary designation submitted to the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) that only specifies a Beneficiary by relationship shall not be considered an effective Beneficiary designation and shall be void and of no effect. If more than one Beneficiary is specified and the Participant fails to indicate the respective percentage applicable to two or more Beneficiaries, then each Beneficiary for whom a percentage is not designated will be entitled to an equal share of the portion of the Account (if any) for which percentages have not been designated. At any time, a Participant may change a Beneficiary designation for his or her Account in a writing that is signed by the Participant and filed with the Plan Administrator (or Recordkeeper, if designated by the Plan Administrator for this purpose) prior to the Participant's death, and that meets such other standards as the Plan Administrator shall require from time to time. An individual who is otherwise a Beneficiary with respect to a Participant's Account ceases to be a Beneficiary when all payments have been made from the Account.

#### 4.03 Period of Deferral; Form of Payment:

(a) Period of Deferral. An Eligible Director making a deferral election shall specify a deferral period on his or her Election Form by designating either a Specific Payment Date or the date he or she incurs a Separation from Service. Solely for elections made prior to March 11, 2011, an Eligible Director's Specific Payment Date shall not be later than his or her 80<sup>th</sup> birthday (and the specification of such a later date shall be deemed instead to specify the Director's 80<sup>th</sup> birthday as the Specific Payment Date). In addition, an Eligible Director shall be deemed to have elected a period of deferral of not less than the first day of the Plan Year after (i) for elections made on or after March 11, 2011, the date that is 12 months after the date the Retainer Compensation would have been paid absent the deferral, and (ii) for elections made prior to March 11, 2011, the end of the Plan Year during which the Director Compensation would have been paid absent the deferral. If the Specific Payment Date selected by an Eligible Director would result in a period of deferral that is less than the minimum, the Eligible Director shall be deemed to have selected a Specific Payment Date equal to the minimum period of deferral as provided in the preceding sentence. If an Eligible Director fails to affirmatively designate a period of deferral on his or her Election Form, he or she shall be deemed to have specified the date on which he or she incurs a Separation from Service.

(b) Form of Payment. This subsection (b) is effective for elective deferral elections filed for Compensation Years beginning from and after October 1, 2009; see the Appendix for rules applicable prior to that date.

(1) Elections on or After March 11, 2011. Effective for elections made on or after March 11, 2011, an Eligible Director making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or annual installment payments to be paid over a period 5 or 10 years.

(2) Elections Prior to March 11, 2011. Effective for elections made prior to March 11, 2011, an Eligible Director making a deferral election shall specify a form of payment on his or her Election Form by designating either a lump sum payment or annual installment payments to be paid over a period of 5 years but not later than the Eligible Director's 80th birthday. If the Eligible Director elects installment payments and the installments would otherwise extend beyond the Eligible Director's 80th birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80th birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80th birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80th birthday.

If an Eligible Director fails to make a form of payment election for a deferral under paragraphs (1) or (2) above, he or she shall be deemed to have elected a lump sum payment. Initial form of payment elections for Mandatory Deferrals are governed by Section 4.05.

#### 4.04 Second Look Election:

(a) General. Subject to Subsection (b) below, a Participant who has made a valid initial deferral in accordance with the foregoing provisions of this Article may subsequently make another one-time election regarding the time and/or form of payment of his or her deferral. This opportunity to modify the Participant's initial election is referred to as a "Second Look Election."

(b) Requirements for Second Look Elections. A Second Look Election must be made on an Election Form that the Plan Administrator provides for this purpose, and it must comply with all of the following requirements:

(1) If a Participant's initial election specified payment based on a Specific Payment Date, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's original Specific Payment Date. In addition, in this case the Participant's Second Look Election must provide for a new Specific Payment Date that is at least 5 years after the original Specific Payment Date. For Second Look Elections made prior to March 11, 2011, if the Specific Payment Date applicable pursuant to the Second Look Election is after the Participant's 80<sup>th</sup> birthday, either by the Participant's choice or if necessary to comply with the 5-year rule stated above, the Second Look Election is void.

(2) If a Participant's initial election specified payment based on the Participant's Separation from Service, the Participant may only make a Second Look Election if the election is made at least 12 months before the Participant's Separation from Service. In addition, in this case the Participant must elect a new Specific Payment Date that turns out to be at least 5 years after the Participant's Separation from Service. If the new Specific Payment Date selected in the Second Look Election turns out to be less than five years after the Participant's Separation from Service, the Second Look Election is void.

(3) A Participant may make only one Second Look Election for each individual deferral, and each Second Look Election must comply with all of the relevant requirements of this Section.

(4) A Participant who uses a Second Look Election to change the form of the Participant's payment from a lump sum to installments shall be subject to the rules for installment payment elections in Sections 4.03(b)(1) and (2), and such installment payments must begin no earlier than 5 years after when the lump sum payment would have been paid based upon the Participant's initial election.

(5) If a Participant's initial election specified payment in the form of installments and the Participant wants to elect instead payment in a lump sum, the earliest payment date of the lump sum must be no earlier than 5 years after the first payment date that applied under the Participant's initial installment election.

(6) For purposes of this Section and compliance with Section 409A, all of a Participant's installment payments related to a specific deferral election shall be treated as a single payment.

A Second Look Election will be void and payment will be made based on the Participant's original election under Section 4.03 if all of the relevant provisions of this subsection (b) are not satisfied in full. However, if a Participant's Second Look Election becomes effective in accordance with the provisions of subsection (b), the Participant's original election shall be superseded (including any Specific Payment Date specified therein), and the original election shall not be taken into account with respect to the deferral that is subject to the Second Look Election.

(c) Plan Administrator's Role. Each Participant has the sole responsibility to elect a Second Look Election by contacting the Plan Administrator (or, if authorized by the Plan Administrator, the Recordkeeper) and to comply with the requirements of this Section. The Plan Administrator or the Recordkeeper may provide a notice of a Second Look Election opportunity to some or all Participants, but the Recordkeeper and Plan Administrator is under no obligation to provide such notice (or to provide it to all Participants, in the event a notice is provided only to some Participants). The Recordkeeper and the Plan Administrator have no discretion to waive or otherwise modify any requirement for a Second Look Election set forth in this Section or in Section 409A.

#### 4.05 Mandatory Deferrals:

(a) General. As provided in this Section, the Board of Directors of the Company may require that Director Compensation be deferred under the Plan. Such portion of an Eligible Director's Director Compensation that the Board of Directors of the Company requires to be deferred under this Section 4.05 shall be referred to as a "Mandatory Deferral."

(b) Time for Committee's Determination. To be effective hereunder, any determination by the Board of Directors of the Company to require a Mandatory Deferral of a portion of an Eligible Director's Director Compensation must be made no later than the December 31 immediately preceding the calendar year in which the Eligible Director performs the services to which such Director Compensation relates (or, to the extent the Eligible Director is not permitted to make any payment election with respect to such Mandatory Deferral and it would result in a later deadline, immediately prior to the time the Eligible Director first has a legally binding right to such Director Compensation). As of such date or time, the determination by the Board of Directors of the Company to require the deferral of the Director Compensation shall be irrevocable. Any Mandatory Deferral shall be credited to a separate Deferral Subaccount that is maintained for such Mandatory Deferral.

(c) Current Mandatory Deferrals. Pursuant to a September 14, 2007 resolution of the Board of Directors of the Company, a Mandatory Deferral of \$150,000 shall be credited as of October 1 of each year to each individual who is an Eligible Director on such October 1, commencing with a Mandatory Deferral on October 1, 2007; provided that (1) a Director newly appointed or elected to the Board of Directors of the Company shall be credited with a pro-rated Mandatory Deferral as of the commencement date of his or her status as a Director, with such pro-rated amount determined by multiplying such Mandatory Deferral by the ratio of the number of full and partial quarters remaining during the Applicable 12-Month Period (as defined below) as of such commencement date over four, and (2) the Board of Directors of the Company retains the discretion to change the amount subject to Mandatory Deferral or eliminate Mandatory Deferrals entirely with respect to Applicable 12-Month Periods after the 2007-2008 Compensation Year. At the same time, any such discretion shall not alter the determination to defer Director Compensation to the extent such determination has become irrevocable with respect to specific Director Compensation in accordance with subsection (b) above. However, the preceding sentence shall not limit the discretion of the Company's Board of Directors to forfeit outright specific Director Compensation. For purposes of this Section, "Applicable 12-Month Period" shall mean the 12-month period that begins on October 1 of a year and ends on September 30 of the following year.

(d) Time and Form of Payment. Each Mandatory Deferral shall be distributed in accordance with Section 6.07. The Eligible Director shall specify the form of payment of each of his or her Mandatory Deferrals in accordance with the following:

(1) Elections on or After March 11, 2011. Effective for elections made on or after March 11, 2011, an Eligible Director shall designate either a lump sum payment or annual installment payments to be paid over a period of 5 or 10 years.

(2) Elections Prior to March 11, 2011. Effective for elections made prior to March 11, 2011, an Eligible Director shall designate either a lump sum payment or annual installment payments to be paid over a period of 5 years. Installments are not available if the first installment would begin on or after the Eligible Director's 80<sup>th</sup> birthday. If the Eligible Director elects installment payments and the installments would otherwise begin before and extend beyond the Eligible Director's 80<sup>th</sup> birthday, such election shall be treated as an election for installments over a period of whole and partial years that ends on the Eligible Director's 80<sup>th</sup> birthday; provided that the amounts to be distributed in connection with the installments prior to the Eligible Director's 80<sup>th</sup> birthday shall be determined in accordance with Section 6.08 by assuming that the installments shall continue for the full number of installments, with the entire remaining amount of the relevant Deferral Subaccount distributed on the Eligible Director's 80<sup>th</sup> birthday. No such election shall be permitted for the Mandatory Deferral for the 2007-2008 Compensation Year.

If permitted under paragraphs (1) or (2) above, an Eligible Director shall make a form of payment election with respect to a Mandatory Deferral no later than December 31 immediately preceding the calendar year in which the Eligible Director provides the services to which the Mandatory Deferral relates (although the Plan Administrator may adopt policies that encourage or require earlier submission of election forms). In addition, an individual shall not be eligible to make a form of payment election for a Mandatory Deferral granted to an individual for his first Applicable 12-Month Period as an Eligible Director, unless such individual submits the election prior to becoming an Eligible Director or otherwise prior to rendering services as an Eligible Director, and then such election shall be effective immediately upon commencement of the individual's status as an Eligible Director or otherwise upon commencement of his or her services as an Eligible Director. If an Eligible Director does not (or is not permitted to) make a form of payment election for a Mandatory Deferral, the Mandatory Deferral shall be paid in a lump sum. The Eligible Director shall be entitled to elect to change the time and form of payment in accordance with Section 4.04 only to the extent expressly permitted by the Board of Directors.

## Article V – INTERESTS OF PARTICIPANTS

### 5.01 Accounting for Participants' Interests:

(a) Deferral Subaccounts. Each Participant shall have at least one separate Deferral Subaccount for each separate deferral of Director Compensation made by or for the Participant under this Plan. A Participant's deferral shall be credited as of the date of the deferral to his or her Account as soon as administratively practicable following the date the compensation would be paid in the absence of a deferral (or as specified in Section 4.05, in the case of a Mandatory Deferral). A Participant's Account is a bookkeeping device to track the value of the Participant's deferrals and the Company's liability therefor. No assets shall be reserved or segregated in connection with any Account, and no Account shall be insured or otherwise secured.

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

### 5.02 Phantom Investment of Account:

(a) General. Each of a Participant's Deferral Subaccounts shall be invested on a phantom basis as provided in this Section.

(1) Participants Who Are Currently Directors. The Deferral Subaccounts of a Participant who is currently a Director shall be invested on a phantom basis solely in PepsiCo Common Stock pursuant to subsection (b) below.

(2) All Other Participants. Not before the later of a Participant's diversification date (as defined below) and March 11, 2011, the Deferral Subaccounts of a Participant who ceases to be a Director may be invested on a phantom basis in any combination of phantom investment options specified by the Participant (or following the Participant's death, by his or her Beneficiary) from the option in subsection (b) and those options offered by the Plan Administrator under subsection (c) below for this purpose from time to time. A Participant's diversification date shall be the first day of the calendar quarter beginning after the first anniversary of when he or she ceases to be a Director. Prior to the later of a Participant's diversification date and March 11, 2011, the Deferral Subaccounts of a Participant who ceases to be a Director shall be invested on a phantom basis solely in PepsiCo Common Stock pursuant to subsection (b) below. The effective date of an investment election that is permissible under this subsection is determined under subsection (d) below.

(3) Participants Who Return to Director Status. If a former Director subsequently returns to Director status, deferrals made during the period prior to his or her return to Director status shall be subject to paragraph (2) above, and deferrals made

during the period in which he or she is again a Director shall be subject to paragraph (1) above.

(b) Phantom PepsiCo Common Stock. Participant Accounts invested in this phantom option are adjusted to reflect an investment in PepsiCo Common Stock. An amount deferred into this option is converted to phantom shares (or units) of PepsiCo Common Stock of equivalent value by dividing such amount by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on the Valuation Date as of which the amount is treated as invested in this option by the Plan Administrator. The Plan Administrator shall adopt a fair valuation methodology for valuing a phantom investment in this option, such that the value shall reflect the complete value of an investment in PepsiCo Common Stock in accordance with the following paragraphs below.

(1) The Plan Administrator shall value a phantom investment in PepsiCo Common Stock pursuant to an accounting methodology which unitizes partial shares as well as any amounts that would be received by the Account as dividends (if dividends were paid on phantom shares/units of PepsiCo Common Stock as they are on actual shares of equivalent value). For the time period this methodology is chosen, partial shares and the above dividends shall be converted to units and credited to the Participant's investment in the phantom PepsiCo Common Stock.

(2) A Participant's interest in the phantom PepsiCo Common Stock is valued as of a Valuation Date by multiplying the number of phantom shares (or units) credited to his or her Account on such date by the Fair Market Value of a share of PepsiCo Common Stock (or of a unit in the Account) on such date.

(3) If shares of PepsiCo Common Stock change by reason of any stock split, stock dividend, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or any other corporate change treated as subject to this provision by the Plan Administrator, such equitable adjustment shall be made in the number and kind of phantom shares/units credited to an Account or Deferral Subaccount as the Plan Administrator may determine to be necessary or appropriate.

(4) In no event will shares of PepsiCo Common Stock actually be purchased or held under this Plan, and no Participant shall have any rights as a shareholder of PepsiCo Common Stock on account of an interest in this phantom option.

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

option is valued as of a Valuation Date (or a Distribution Valuation Date) by multiplying the number of phantom units credited to his or her Account on such date by the NAV of a unit in such fund on such date. The Plan Administrator may discontinue any phantom investment option with respect to some or all Accounts, and it may provide rules for transferring a Participant's phantom investment from the discontinued option to a specified replacement option (unless the Participant selects another replacement option in accordance with such requirements as the Plan Administrator may apply).

(d) Fund Transfers. A Participant may reallocate previously deferred amounts in a Deferral Subaccount (to the extent subsection (c)'s phantom investment options are available for such amounts) by properly completing and submitting a fund transfer form provided by the Plan Administrator or Recordkeeper and specifying, in one percent increments, the reallocation of his or her Deferral Subaccount among the phantom investment options then offered by the Plan Administrator for this purpose. (The rules relating to non-paper formats for Election Forms shall also apply to the fund transfer form.) If a fund transfer form provides for investing less than or more than 100% of the Participant's Deferral Subaccount, it will be void and disregarded. Any transfer form that is not void under the preceding sentence shall be effective as of the Valuation Date next occurring after its receipt by the Recordkeeper, but the Plan Administrator or Recordkeeper may also specify a minimum number of days in advance of which such transfer form must be received in order for the form to become effective as of such next Valuation Date. If more than one fund transfer form is received on a timely basis, the form that the Plan Administrator or Recordkeeper determines to be the most recent shall be followed.

(e) Authority of Recordkeeper. Any valuation or other determination that is required to be made under this Section by the Plan Administrator may also be made by the Recordkeeper, if the Recordkeeper has been authorized by the Plan Administrator to make such valuation or determination.

(f) Phantom PepsiCo Common Stock Fund Restrictions. Notwithstanding the preceding provisions of this Section, the Plan Administrator may at any time alter the effective date of any investment or allocation involving the Phantom PepsiCo Common Stock Fund pursuant to Section 7.03(j) (relating to safeguards against insider trading). The Plan Administrator may also, to the extent necessary to ensure compliance with Rule 16b-3(f) of the Act, arrange for tracking of any such transaction defined in Rule 16b-3(b)(1) of the Act and bar any such transaction to the extent it would not be exempt under Rule 16b-3(f). The Company may also impose blackout periods pursuant to the requirements of the Sarbanes-Oxley Act of 2002 whenever the Company determines that circumstances warrant. Further, the Company may impose quarterly blackout periods on insider trading in the Phantom PepsiCo Common Stock Fund as needed (as determined by the Company), timed to coincide with the release of the Company's quarterly earnings reports. The commencement and termination of these blackout periods in each quarter, the parties to which they apply and the activities they restrict shall be as set forth in the official insider trading policy promulgated by the Company from time to time. These provisions shall apply notwithstanding any provision of the Plan to the contrary except Section 7.07 (relating to compliance with Section 409A).



5.03 Vesting of a Participant's Account:

A Participant's interest in the value of his or her Account shall at all times be 100% vested, which means that it will not forfeit as a result of his or her Separation from Service.

5.04 Prohibited Misconduct.

(a) Effective for Mandatory Deferrals and elective deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year, a Participant who engages in "Prohibited Misconduct" shall, at the sole discretion of the Board of Directors of the Company (and in addition to any other remedies available to the Board and/or the Company), forfeit the entire amount in his or her Account attributable to – (i) Mandatory Deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year, including all current and future earnings and gains thereon, and (ii) all current and future earnings and gains attributable to elective deferrals of Director Compensation that are credited to the Plan during or subsequent to the 2011-2012 Compensation Year.

(b) For purposes of subsection (a) above, "Prohibited Misconduct" shall mean: (i) the use for profit or disclosure to unauthorized persons of confidential information or trade secrets of the Company; (ii) the breach of any contract with the Company or violation of any obligation to the Company, including, without limitation, a violation of the Company's Worldwide Code of Conduct; (iii) engaging in unlawful trading in the securities of the Company or of another company based on information gained as a result of the Participant's position with the Company; or (iv) the commission of a felony or other serious crime.

## Article VI – DISTRIBUTIONS

### 6.01 General:

A Participant's Deferral Subaccount(s) shall be distributed as provided in this Article, subject in all cases to Section 7.03(j) (relating to safeguards against insider trading) and Section 7.06 (relating to compliance with Section 16 of the Act). All Deferral Subaccount balances shall be distributed in cash; provided, however, that effective for distributions made after September 12, 2008, the distribution of a Participant's interest in phantom PepsiCo Common Stock shall be paid in shares of PepsiCo Common Stock which will be deemed to have been distributed under the PepsiCo, Inc. 2007 Long Term Incentive Plan or any successor plan thereto and will count against the limit on the number of shares of PepsiCo Common Stock available for distribution thereunder. If the number of shares of PepsiCo Common Stock to be distributed is not a whole number of shares, the number of shares to be distributed will be rounded down to the closest whole number of shares and the remaining amount will be paid in cash based on the Fair Market Value of a share of PepsiCo Common Stock on the Distribution Valuation Date corresponding to the distribution. In no event shall any portion of a Participant's Account be distributed earlier or later than is allowed under Section 409A. The following general rules shall apply for purposes of interpreting the provisions of this Article VI.

(a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's Disability or death. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.05 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.

(b) Section 6.03 (Distributions on Account of a Separation from Service) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than as a result of death). Subsections (c) and (d) of this Section provide for when Section 6.04 or 6.06 take precedence over Section 6.03.

(c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.

(d) Section 6.05 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.05 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02 or 6.03 at the time of his Disability, Section 6.05 shall take precedence over those sections to the extent Section 6.05 would result in an earlier distribution of all or part of a Participant's Account.

(e) Section 6.06 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.05. In this case, the provisions of Section 6.06 shall take precedence over Sections 6.02 through 6.05 to the extent Section 6.06 would result in an earlier distribution of all or part of the Participant's Account.

**6.02 Distributions Based on a Specific Payment Date:**

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability or (ii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

(a) If a Participant's Deferral Subaccount is to be paid in the form of a lump sum pursuant to Sections 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date, and the resulting amount shall be paid in a single lump sum on the Specific Payment Date.

(b) If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the Specific Payment Date and the first installment payment shall be paid on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on the Election Form or the Second Look Election (whichever is applicable, and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

**6.03 Distributions on Account of a Separation from Service:**

This Section shall apply to distributions that are to be made upon Separation from Service. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Disability or death.

(a) If the Participant's Separation from Service is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given

effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.

(b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence as follows:

(1) for deferrals of Director Compensation other than Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the Plan Year following the end of the Plan Year in which the Participant's Separation from Service occurs; and

(2) for Mandatory Deferrals, distribution of the related Deferral Subaccount shall commence on the first day of the calendar quarter beginning after the first anniversary of the Participant's Separation from Service occurs.

(c) The distribution provided in subsection (b) shall be made in either a single lump sum payment or in installment payments depending upon the Participant's deferral election under Sections 4.03, 4.04 or 4.05. If the Deferral Subaccount is to be paid in the form of a lump sum, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the resulting amount shall be distributed in a lump sum on the date specified in subsection (b) above. If a Participant's Deferral Subaccount is to be paid in the form of installments pursuant to Section 4.03 or 4.04, whichever is applicable, the Deferral Subaccount shall be valued as of the last Distribution Valuation Date that occurs on or immediately precedes the date of the Participant's Separation from Service and the first installment payment shall be paid on the date specified in subsection (b) above. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant on his/her deferral election form or Second Look Election (and subject in each case to the provisions of this Plan that constrain such elections), except as provided in Sections 6.04, 6.05 and 6.06 (relating to distributions on account of death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the last installment distribution is processed for payment the Participant would be entitled to a distribution in accordance with Sections 6.04 or 6.05 (relating to a distribution on account of death or Disability), the remaining balance of the Participant's Deferral Subaccounts that would otherwise be distributed based on such Separation from Service shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.05.

(d) Notwithstanding subsections (a), (b) and (c) above, if the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service. In such event:

(1) any applicable lump sum payment shall be valued as of the Distribution Valuation Date that corresponding to the date that is 6 months after the date of the Participant's Separation from Service and the resulting amount shall be distributed on the date that is 6 months after the date of the Participant's Separation from Service; and

(2) any installment payments that would otherwise have been paid during such 6 month period shall be valued as of the Distribution Valuation Date that corresponds to the date that is 6 months after the date of the Participant's Separation from Service pursuant to Section 6.08 and the resulting amount(s) shall be distributed in a lump sum on the date that is 6 months after the date of the Participant's Separation from Service and the installment stream shall continue from that point in accordance with the applicable schedule.

(e) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Separation from Service, such installment payments shall continue to be paid based upon the Participant's deferral election (but subject to acceleration under Sections 6.04, 6.05 and 6.06 relating to distributions on account of death, Disability and Unforeseeable Emergency).

#### 6.04 Distributions on Account of Death:

(a) Upon a Participant's death, the Participant's Account under the Plan shall be valued as of the first Distribution Valuation Date of the first Plan Year following the Participant's death and the resulting amount shall be distributed in a single lump sum payment on such date. If the Participant is receiving installment payments at the time of the Participant's death, such installment payments shall continue in accordance with the terms of the Participant's deferral election that governs such payments until the time that the lump sum payment is due to be paid under the provisions of the preceding sentence of this Subsection. Immediately prior to the time that such lump sum payment is to be paid all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at such scheduled payment time in a single lump sum. Amounts paid following a Participant's death, whether a lump sum or continued installments, shall be paid to the Participant's Beneficiary. If some but not all of the persons designated as Beneficiaries by a Participant to receive his or her Account at death predecease the Participant, the Participant's surviving Beneficiaries shall be entitled to the portion of the Participant's Account intended for such pre-deceased persons in proportion to the surviving Beneficiaries' respective shares.

(b) If no designation is in effect at the time of a Participant's death (as determined by the Plan Administrator) or if all persons designated as Beneficiaries have predeceased the Participant, then the payments to be made pursuant to this Section shall be distributed as follows:

(1) If the Participant is married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's spouse; and

(2) If the Participant is not married at the time of his/her death, all payments made pursuant to this Section shall be paid to the Participant's estate.

The Plan Administrator shall determine whether a Participant is "married" and shall determine a Participant's "spouse" based on the state or local law where the Participant has his/her primary residence at the time of death. The Plan Administrator is authorized to make any applicable inquiries and to request any documents, certificates or other information that it deems necessary or appropriate in order to make the above determinations.

(c) Prior to the time the value of the Participant's Account is distributed under this Section, the Participant's Beneficiary may apply for a distribution under Section 6.06 (relating to a distribution on account of an Unforeseeable Emergency).

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

#### 6.05 Distributions on Account of Disability:

If a Participant incurs a Disability, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

(a) Prior to the time that an amount would become distributable under this Article, if a Participant believes he or she is suffering from a Disability, the Participant shall file a written request with the Recordkeeper for payment of the entire amount credited to his or her Account in connection with Disability. After a Participant has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 45 days (or such other number of days as allowed by applicable law if special circumstances warrant additional time) whether the Participant meets the criteria for a Disability. In addition, to the extent required under Section 409A, if the Company becomes aware that the Participant appears to meet the criteria for a Disability, the Company shall advise the Recordkeeper and the Recordkeeper shall proceed to determine if the Participant meets the criteria for a Disability under this Plan, even if the Participant has yet not applied for payment from this Plan. To the extent practicable, the Participant shall be expected to permit whatever medical examinations are necessary for the Recordkeeper to make its determination. If the Recordkeeper determines that the Participant has satisfied the criteria for a Disability, the Participant's Account shall be valued as of the Distribution Valuation Date that occurs on or immediately precedes the date on which the Participant became Disabled and the resulting amount shall be distributed in a single lump sum payment on the first day of the Plan Year following the end of the Plan Year in which the Disability determination is made.

(b) If the Participant is receiving installment payments at the time of the Participant's Disability, such installment payments shall continue to be paid in accordance with the provisions of the Participant's applicable deferral election until the time that the lump sum

payment is due to be paid under the provisions of Subsection (a). Immediately prior to the time that such lump sum payment is scheduled to be paid, all installment payments shall cease and the remaining balance of the Participant's Account shall be distributed at the time specified in Subsection (a) in a single lump sum.

#### 6.06 Distributions on Account of Unforeseeable Emergency:

Prior to the time that an amount would become distributable under Sections 6.02 through 6.05, a Participant or Beneficiary may file a written request with the Recordkeeper for accelerated payment of all or a portion of the amount credited to the Participant's Account based upon an Unforeseeable Emergency. After an individual has filed a written request pursuant to this Section, along with all supporting material that may be required by the Recordkeeper from time to time, the Recordkeeper shall determine within 60 days (or such other number of days that is necessary if special circumstances warrant additional time) whether the individual meets the criteria for an Unforeseeable Emergency. If the Recordkeeper determines that an Unforeseeable Emergency has occurred, the Participant or Beneficiary shall receive a distribution from his or her Account on the date that such determination is finalized by the Recordkeeper. However, such distribution shall not exceed the dollar amount necessary to satisfy the Unforeseeable Emergency (plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution) after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

#### 6.07 Distributions of Mandatory Deferrals:

This Section 6.07 shall govern the distribution of all Mandatory Deferrals under the Plan. Subject to the last sentence of this Section 6.07, a Participant's Deferral Subaccount(s) for Mandatory Deferrals shall be distributed upon the earliest of the following to occur:

- (a) The Participant's Separation from Service (other than on account of a Disability or death) pursuant to the distribution rules of Section 6.03;
- (b) The Participant's death pursuant to the distribution rules of Section 6.04;
- (c) The Participant's Disability pursuant to the distribution rules of Section 6.05; or
- (d) The occurrence of an Unforeseeable Emergency with respect to the Participant pursuant to the distribution rules of Section 6.06.

Notwithstanding the foregoing, the Board of Directors of the Company may specify different terms for the distribution of Mandatory Deferrals. Such specification may always occur not later than when the Mandatory Deferral becomes irrevocable under Section 4.05(c). Such specification may also occur later, but only to the extent that such later specification satisfies the requirements of Section 4.04 (as if it were an election by the Participant). In addition, to the extent expressly permitted by the Board of Directors, the Participant may make a Second Look Election under Section 4.04.

6.08 Valuation:

In determining the amount of any individual distribution pursuant to this Article, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date that is used in determining the amount of the distribution under this Article. If a particular Section in this Article does not specify a Distribution Valuation Date to be used in calculating the distribution, the Participant's Deferral Subaccount shall continue to be credited with earnings and gains (and debited for expenses and losses) as specified in Article V until the Distribution Valuation Date on or most recently preceding the date of such distribution. In determining the value of a Participant's remaining Deferral Subaccount following an installment distribution from the Deferral Subaccount (or a partial distribution under Section 6.06 relating to a distribution on account of an Unforeseeable Emergency), such distribution shall reduce the value of the Participant's Deferral Subaccount as of the close of the Distribution Valuation Date on or most recently preceding the payment date for such installment (or partial distribution). The amount to be distributed in connection with any installment payment shall be determined by dividing the value of a Participant's Deferral Subaccount as of such Distribution Valuation Date (determined before reduction of the Deferral Subaccount as of such Distribution Valuation Date in accordance with the preceding sentence) by the remaining number of installments to be paid with respect to the Deferral Subaccount.

6.09 Impact of Section 16 of the Act on Distributions:

The provisions of Section 7.06 shall apply in determining whether a Participant's distribution shall be delayed beyond the date applicable under the preceding provisions of this Article VI.

6.10 Actual Payment Date:

An amount payable on a date specified in this Article VI shall be paid no later than the later of (a) the end of the calendar year in which the specified date occurs, or (b) the 15<sup>th</sup> day of the third calendar month following such specified date. In addition, the Participant (or Beneficiary) is not permitted to designate the taxable year of the payment.



## Article VII – PLAN ADMINISTRATION

### 7.01 Plan Administrator:

The Plan Administrator is responsible for the administration of the Plan. The Plan Administrator has the authority to name one or more delegates to carry out certain responsibilities hereunder, as specified in the definition of Plan Administrator. To the extent not already set forth in the Plan, any such delegation shall state the scope of responsibilities being delegated and is subject to Section 7.06 below.

### 7.02 Action:

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

### 7.03 Powers of the Plan Administrator:

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

- (a) To exercise its discretionary authority to construe, interpret, and administer this Plan;
- (b) To exercise its discretionary authority to make all decisions regarding eligibility, participation and deferrals, to make allocations and determinations required by this Plan, and to maintain records regarding Participants' Accounts;
- (c) To compute and certify to the Company the amount and kinds of payments to Participants or their Beneficiaries, and to determine the time and manner in which such payments are to be paid;
- (d) To authorize all disbursements by the Company pursuant to this Plan;
- (e) To maintain (or cause to be maintained) all the necessary records for administration of this Plan;
- (f) To make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof;
- (g) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (h) To change the phantom investment under Article V;
- (i) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and

(j) Notwithstanding any other provision of this Plan except Section 7.07 (relating to compliance with Section 409A), the Plan Administrator or the Recordkeeper may take any action the Plan Administrator determines is necessary to assure compliance with any policy of the Company respecting insider trading as may be in effect from time to time. Such actions may include altering the distribution date of Deferral Subaccounts. Any such actions shall alter the normal operation of the Plan to the minimum extent necessary.

The Plan Administrator has the exclusive and discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits, to determine the amount and manner of payment of such benefits and to make any determinations that are contemplated by (or permissible under) the terms of this Plan, and its decisions on such matters will be final and conclusive on all parties. Any such decision or determination shall be made in the absolute and unrestricted discretion of the Plan Administrator, even if (1) such discretion is not expressly granted by the Plan provisions in question, or (2) a determination is not expressly called for by the Plan provisions in question, and even though other Plan provisions expressly grant discretion or call for a determination. As a result, benefits under this Plan will be paid only if the Plan Administrator decides in its discretion that the applicant is entitled to them. In the event of a review by a court, arbitrator or any other tribunal, any exercise of the Plan Administrator's discretionary authority shall not be disturbed unless it is clearly shown to be arbitrary and capricious.

#### 7.04 Compensation, Indemnity and Liability:

The Plan Administrator will serve without bond and without compensation for services hereunder. All expenses of the Plan and the Plan Administrator will be paid by the Company. To the extent deemed appropriate by the Plan Administrator, any such expense may be charged against specific Participant Accounts, thereby reducing the obligation of the Company. No member of the Board of Directors (who serves as the Plan Administrator), and no individual acting as the delegate of the Board of Directors, shall be liable for any act or omission of any other member or individual, nor for any act or omission on his or her own part, excepting his or her own willful misconduct. The Company will indemnify and hold harmless each member of the Board of Directors and any employee of the Company (or a Company affiliate, if recognized as an affiliate for this purpose by the Plan Administrator) acting as the delegate of the Board of Directors against any and all expenses and liabilities, including reasonable legal fees and expenses, arising in connection with this Plan out of his or her membership on the Board of Directors (or his or her serving as the delegate of the Board of Directors), excepting only expenses and liabilities arising out of his or her own willful misconduct or bad faith.

#### 7.05 Withholding:

The Company shall withhold from amounts due under this Plan, any amount necessary to enable the Company to remit to the appropriate government entity or entities on behalf of the Participant as may be required by the federal income tax provisions of the Code, by an applicable state's income tax provisions, and by an applicable city, county or municipality's earnings or income tax provisions. Further, the Company shall withhold from the payroll of, or collect from, a Participant the amount necessary to remit on behalf of the Participant any Social Security and/or Medicare taxes which may be required with respect to amounts deferred or accrued by a

Participant hereunder, as determined by the Company. In addition, to the extent required by Section 409A, amounts deferred under this Plan shall be reported to the Internal Revenue Service as provided by Section 409A, and any amounts that become taxable hereunder pursuant to Section 409A shall be reported as taxable compensation to the Participant as provided by Section 409A.

#### 7.06 Section 16 Compliance:

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Act. Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the Company's Board of Directors or Compensation Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board of Directors, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) is wholly or partly invested in the Phantom PepsiCo Common Stock Fund at the time the deferral would be valued to determine the amount of cash to be distributed to a Participant, (iii) either was the subject of a Second Look Election or was not covered by an agreement or Plan provisions, applicable at the time of the Participant's original deferral election, that any investments in the Phantom PepsiCo Common Stock Fund would, once made, remain in that fund until distribution of the deferral, (iv) is made to a Participant who is subject to Section 16 of the Act at the time the interest in the Phantom PepsiCo Common Stock Fund would be liquidated in connection with the distribution, and (v) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in the PepsiCo Common Stock Fund (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(1), or as a regular transaction, as applicable) (a "Covered Distribution"). In the case of a Covered Distribution, if the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the Phantom PepsiCo Common Stock Fund in connection with the distribution, or

(2) The date the distribution would no longer violate Section 16 of the Act, *e.g.*, when the Participant is no longer subject to Section 16 of the Act, or when the time between the liquidation and an opposite way transaction is sufficient.

7.07 Conformance with Section 409A:

Effective from and after January 1, 2009, at all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, *i.e.*, to preserve the grandfathered status of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.

## Article VIII – CLAIMS PROCEDURE

### 8.01 Claims for Benefits:

If a Participant, Beneficiary or other person (hereafter, "Claimant") does not receive timely payment of any benefits which he or she believes are due and payable under the Plan, he or she may make a claim for benefits to the Plan Administrator. The claim for benefits must be in writing and addressed to the Plan Administrator. If the claim for benefits is denied, the Plan Administrator will notify the Claimant within 90 days after the Plan Administrator initially received the benefit claim. However, if special circumstances require an extension of time for processing the claim, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 90-day period and such extension may not exceed one additional, consecutive 90-day period. Any notice of a denial of benefits shall advise the Claimant of the basis for the denial, any additional material or information necessary for the Claimant to perfect his or her claim, and the steps which the Claimant must take to appeal his or her claim for benefits.

### 8.02 Appeals of Denied Claims:

Each Claimant whose claim for benefits has been denied may file a written appeal for a review of his or her claim by the Plan Administrator. The request for review must be filed by the Claimant within 60 days after he or she received the notice denying his or her claim. The decision of the Plan Administrator will be communicated to the Claimant within 60 days after receipt of a request for appeal. The notice shall set forth the basis for the Plan Administrator's decision. If special circumstances require an extension of time for processing the appeal, the Plan Administrator will furnish notice of the extension to the Claimant prior to the termination of the initial 60-day period and such extension may not exceed one additional, consecutive 60-day period. In no event shall the Plan Administrator's decision be rendered later than 120 days after receipt of a request for appeal.

### 8.03 Special Claims Procedures for Disability Determinations:

Notwithstanding Sections 8.01 and 8.02 to the contrary, if the claim or appeal of the Claimant relates to Disability benefits, such claim or appeal shall be processed pursuant to the applicable provisions of Department of Labor Regulation Section 2560.503-1 relating to Disability benefits, including Sections 2560.503-1(d), 2560.503-1(f)(3), 2560.503-1(h)(4) and 2560.503-1(i)(3).

## Article IX – AMENDMENT AND TERMINATION

### 9.01 Amendment of Plan:

The Nominating and Corporate Governance Committee of the Board of Directors of the Company has the right in its sole discretion to amend this Plan in whole or in part at any time and in any manner, including the manner of making deferral elections, the terms on which distributions are made, and the form and timing of distributions. However, except for mere clarifying amendments necessary to avoid an inappropriate windfall, no Plan amendment shall reduce the amount credited to the Account of any Participant as of the date such amendment is adopted. Any amendment shall be in writing and adopted by the Committee. All Participants and Beneficiaries shall be bound by such amendment. Any amendments made to the Plan shall be subject to any restrictions on amendment that are applicable to ensure continued compliance under Section 409A.

### 9.02 Termination of Plan:

(a) The Company expects to continue this Plan, but does not obligate itself to do so. The Company, acting by the Nominating and Corporate Governance Committee of the Board of Directors, or through its entire Board of Directors, reserves the right to discontinue and terminate the Plan at any time, in whole or in part, for any reason (including a change, or an impending change, in the tax laws of the United States or any State). Termination of the Plan will be binding on all Participants (and a partial termination shall be binding upon all affected Participants) and their Beneficiaries, but in no event may such termination reduce the amounts credited at that time to any Participant's Account. If this Plan is terminated (in whole or in part), the termination resolution shall provide for how amounts theretofore credited to affected Participants' Accounts will be distributed.

(b) This Section is subject to the same restrictions related to compliance with Section 409A that apply to Section 9.01. In accordance with these restrictions, the Company intends to have the maximum discretionary authority to terminate the Plan and make distributions in connection with a change in ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company, all within the meaning of Section 409A (a "Change in Control"), and the maximum flexibility with respect to how and to what extent to carry this out following a Change in Control as is permissible under Section 409A. The previous sentence contains the exclusive terms under which a distribution may be made in connection with any change in control with respect to deferrals made under this 409A Program.

## Article X – MISCELLANEOUS

### 10.01 Limitation on Participant's Rights:

Participation in this Plan does not give any Participant the right to be retained in the service of the Company. The Company reserves the right to terminate the service of any Participant without any liability for any claim against the Company under this Plan, except for a claim for payment of deferrals as provided herein.

### 10.02 Unfunded Obligation of the Company:

The benefits provided by this Plan are unfunded. All amounts payable under this Plan to Participants are paid from the general assets of the Company. Nothing contained in this Plan requires the Company to set aside or hold in trust any amounts or assets for the purpose of paying benefits to Participants. Neither a Participant, Beneficiary, nor any other person shall have any property interest, legal or equitable, in any specific Company asset. This Plan creates only a contractual obligation on the part of the Company, and the Participant has the status of a general unsecured creditor of the Company with respect to amounts of compensation deferred hereunder. Such a Participant shall not have any preference or priority over the rights of any other unsecured general creditor of the Company. No other Company affiliate guarantees or shares such obligation, and no other Company affiliate shall have any liability to the Participant or his or her Beneficiary.

### 10.03 Other Plans:

This Plan shall not affect the right of any Eligible Director or Participant to participate in and receive benefits under and in accordance with the provisions of any other Director compensation plans which are now or hereafter maintained by the Company, unless the terms of such other plan or plans specifically provide otherwise or it would cause such other plan to violate a requirement for tax favored treatment.

### 10.04 Receipt or Release:

Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Plan Administrator, the Recordkeeper and the Company, and the Plan Administrator may require such Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

### 10.05 Governing Law:

This Plan shall be construed, administered, and governed in all respects in accordance with applicable federal law and, to the extent not preempted by federal law, in accordance with the laws of the State of North Carolina. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

10.06 Gender, Tense and Examples:

In this Plan, whenever the context so indicates, the singular or plural number and the masculine, feminine, or neuter gender shall be deemed to include the other. Whenever an example is provided or the text uses the term “including” followed by a specific item or items, or there is a passage having a similar effect, such passage of the Plan shall be construed as if the phrase “without limitation” followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

10.07 Successors and Assigns; Nonalienation of Benefits:

This Plan inures to the benefit of and is binding upon the parties hereto and their successors, heirs and assigns; provided, however, that the amounts credited to the Account of a Participant are not (except as provided in Section 7.05) subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any right to any benefits payable hereunder, including, without limitation, any assignment or alienation in connection with a separation, divorce, child support or similar arrangement, will be null and void and not binding on the Plan or the Company. Notwithstanding the foregoing, the Plan Administrator reserves the right to make payments in accordance with a divorce decree, judgment or other court order as and when cash payments are made in accordance with the terms of this Plan from the Deferral Subaccount of a Participant. Any such payment shall be charged against and reduce the Participant’s Account.

10.08 Facility of Payment:

Whenever, in the Plan Administrator's opinion, a Participant or Beneficiary entitled to receive any payment hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Plan Administrator may direct the Company to make payments to such person or to the legal representative of such person for his or her benefit, or to apply the payment for the benefit of such person in such manner as the Plan Administrator considers advisable. Any payment in accordance with the provisions of this Section shall be a complete discharge of any liability for the making of such payment to the Participant or Beneficiary under the Plan.



## Article XI – AUTHENTICATION

The 409A Program was first authorized, adopted and approved by the Company's Board of Directors at its duly authorized meeting held on November 18, 2005. The 409A Program document was then amended and restated by the Board of Directors at the Board of Directors' duly authorized meeting on September 12, 2008. This 409A Program document as amended and restated was adopted and approved by the Nominating and Corporate Governance Committee of the Board of Directors at the duly authorized meeting of the Nominating and Corporate Governance Committee on March 10, 2011. This 409A Program document as amended and restated was adopted and approved by the Nominating and Corporate Governance Committee of the Board of Directors at the duly authorized meeting of the Nominating and Corporate Governance Committee on September 19, 2012.

Article XII – SIGNATURE

Pursuant to the direction and authorization of the Nominating and Corporate Governance Committee of the Company's Board of Directors, and the direction and authorization of the Company's Board of Directors, the above amended restated Plan is hereby adopted and approved, to be effective as of January 1, 2005 (except as otherwise provided), with amendments through September 19, 2012.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell  
Cynthia M. Trudell  
Executive Vice President and Chief Human Resources Officer  
Date: October 12, 2012

APPROVED:

By: /s/ Heidi S. DuBois  
PepsiCo, Inc. Law Department

## APPENDIX

The following Appendix articles modify particular terms of the Plan. Except as specifically modified in the Appendix, the foregoing main provisions of the Plan shall fully apply in determining the rights and benefits of Eligible Directors, Participants and Beneficiaries (and of any other individual claiming a benefit through or under the foregoing). In the event of a conflict between the Appendix and the foregoing main provisions of the Plan, the Appendix shall govern.

## APPENDIX

## APPENDIX ARTICLE A – TRANSITION PROVISIONS

This Article A provides the transition rules for the Plan that were effective at some time during the period beginning January 1, 2005 and ending December 31, 2008. The time period during which each provision in this Article A was effective shall be provided herein.

### I. Cancellation Elections:

Pursuant to Q&A-20(a) of IRS Notice 2005-1, each Eligible Director shall have the right to cancel his or her election to defer Director Compensation for the 2004-2005 Compensation Year. Such election to cancel must be filed with the Plan Administrator prior to the end of the 2004-2005 Compensation Year and must follow any other procedures and timing requirements established by the Plan Administrator for this purpose (such procedures and timing requirements to be consistent with the requirements of Q&A-20(a)). Any Eligible Director who makes an election to cancel such deferral election shall have the Director Compensation related to such deferral election paid to him or her (plus any applicable earnings or minus any applicable losses) from his or her Account by December 31, 2005 and such amount shall be reported as taxable income to the Eligible Director for the 2005 calendar year.

### II. Modifications to Article IV:

Section 4.03(b) shall read as follows effective for deferral elections made for Compensation Years beginning before October 1, 2009:

(b) Form of Payment. The default form of payment for initial deferral elections is a single lump sum that shall be paid at the time applicable under Article IV. A Participant may only change the default payment from a lump sum to installments by means of a Second Look Election that meets all of the requirements of Section 4.04. Form of payment elections for Mandatory Deferrals are governed by Section 4.05.

### III. Modifications to Article VI:

The rules set forth in this Article A, Section III apply to any distributions that have occurred or would occur based on events, including any Separations from Service, or Specific Payment Dates that occurred prior to January 1, 2009.

For purposes of this Article A, Section III, the term “Retirement” shall mean Separation from Service after attaining eligibility for retirement. A Participant attains eligibility for retirement when he or she attains age 50 while serving as a director on the Board of Directors of the Company.

For purposes of this Article A, Section III, a new Section 6.05 is added as specified below, and existing Sections 6.05 and 6.06 (as set forth in the main portion of the Plan document) are renumbered as Sections 6.06 and 6.07 respectively.

A For this purpose, Sections 6.01(a)-(f) read as follows:

- (a) Section 6.02 (Distributions Based on a Specific Payment Date) applies when a Participant has elected to defer until a Specific Payment Date and the Specific Payment Date is reached before the Participant's (i) Separation from Service (other than for Retirement), (ii) Disability, or (iii) death. However, if such a Participant Separates from Service (other than for Retirement or death) prior to the Specific Payment Date (or prior to processing of the first installment payment due in connection with the Specific Payment Date), Section 6.03 shall apply. If such a Participant dies prior to the Specific Payment Date, Section 6.04 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account. If such a Participant becomes Disabled prior to the Specific Payment Date, Section 6.06 shall apply to the extent it would result in an earlier distribution of all or part of a Participant's Account.
- (b) Section 6.03 (Distributions on Account of a Separation from Service) applies (i) when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service (other than for Retirement or death), or (ii) when applicable under Subsection (a) above).
- (c) Section 6.04 (Distributions on Account of Death) applies when the Participant dies. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 (see below) at the time of his or her death, Section 6.04 shall take precedence over those sections to the extent Section 6.04 would result in an earlier distribution of all or part of a Participant's Account.
- (d) Section 6.05 (Distributions on Account of Retirement) applies when a Participant has elected to defer until a Separation from Service and then the Participant Separates from Service on account of his or her Retirement. Subsections (c) and (e) of this Section provide for when Section 6.04 or Section 6.06 take precedence over Section 6.05.
- (e) Section 6.06 (Distributions on Account of Disability) applies when the Participant becomes Disabled. If a Participant who becomes Disabled dies, Section 6.04 shall take precedence over Section 6.06 to the extent it would result in an earlier distribution of all or part of a Participant's Account. If a Participant is entitled to receive or is receiving a distribution under Section 6.02, 6.03 or 6.05 at the time of his Disability, Section 6.06 shall take precedence over those sections to the extent Section 6.06 would result in an earlier distribution of all or part of a Participant's Account.
- (f) Section 6.07 (Distributions on Account of Unforeseeable Emergency) applies when the Participant incurs an Unforeseeable Emergency prior to when a Participant's Account is distributed under Sections 6.02 through 6.06. In this case, the provisions of Section 6.07 shall take precedence over Sections 6.02 through 6.06 to the extent Section 6.07 would result in an earlier distribution of all or part of the Participant's Account.

B For this purpose, Section 6.02 reads as follows:

This Section shall apply to distributions that are to be made upon the occurrence of a Specific Payment Date. In the event a Participant's Specific Payment Date for a Deferral Subaccount is reached before (i) the Participant's Disability, or (ii) the Participant's Separation from Service (other than Retirement) or (iii) the Participant's death, such Deferral Subaccount shall be distributed based on the occurrence of such Specific Payment Date in accordance with the following terms and conditions:

- (a) If the Participant has not made a valid Second Look Election that includes installment payments, the Deferral Subaccount shall be valued as of the Distribution Valuation Date that corresponds to the Participant's Specific Payment Date, and the resulting amount shall be paid in a single lump sum.
- (b) If the Participant has made a valid Second Look Election that includes installment payments, the first installment payment shall be paid (based on the schedule elected in the Participant's Second Look Election) on the Specific Payment Date. Thereafter, installment payments shall continue in accordance with the schedule elected by the Participant, except as provided in Sections 6.03, 6.04, 6.06 and 6.07 (relating to distributions on account of a Separation from Service, death, Disability and Unforeseeable Emergency). The amount of each installment shall be determined under Section 6.08. Notwithstanding the preceding provisions of this Subsection, if before the date the first installment distribution is processed for payment the Participant Separates from Service other than for Retirement) or the Participant would be entitled to a distribution in accordance with Sections 6.03, 6.04 or 6.06 (relating to a distribution on account of Separation from Service, death or Disability), the Participant's Deferral Subaccounts that would otherwise be distributed based on such Specific Payment Date shall instead be distributed in accordance with Section 6.04 or 6.05 (relating to distributions on account of death or Disability), whichever applies, but only to the extent it would result in an earlier distribution of the Participant's Subaccounts in the case of Section 6.04 or 6.06.

C For this purpose, Section 6.03 reads as follows:

A Participant's total Account shall be distributed upon the occurrence of a Participant's Separation from Service (other than for Retirement, Disability or death) in accordance with the terms and conditions of this Section. When used in this Section, the phrase "Separation from Service" shall only refer to a Separation from Service that is not for Retirement, Disability or death.

- (a) Subject to subsections (b) and (c), a Participant's total Account balance, shall be distributed in a single lump sum payment on the first day of the first Plan Year after the date of the Participant's Separation from Service.
- (b) If the Participant incurs a Separation from Service after making a valid Second Look Election (and before the first payment has been processed in accordance with such Second Look Election), each Deferral Subaccount to which the Second Look Election applies shall be distributed in a single lump sum payment on the

latest of the following: (1) the first day of the calendar quarter beginning on or after the fifth anniversary of the payment date selected in the Participant's original deferral election under Section 4.03, (2) the first day of the Plan Year following the Separation from Service, or (3) the date applicable under Subsection (c). However, if the Plan Administrator determines that Section 409A would permit a lump sum payment to be made earlier than the date specified in clause (1) of the preceding sentence, then the preceding sentence shall be applied by substituting the earliest date permissible under Section 409A for the date in clause (1). If the Participant's Separation from Service occurs on or after the date the first payment is processed, payment will be made in accordance with the Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and 6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

- (c) If the Participant is classified as a Key Employee at the time of the Participant's Separation from Service (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Separation from Service, earlier than the date that is at least 6 months after the Participant's Separation from Service.

D For this purpose, a new Section 6.05 reads as follows:

6.05 Distributions on Account of Retirement:

If a Participant incurs a Separation from Service on account of his or her Retirement, the Participant's Account shall be distributed in accordance with the terms and conditions of this Section.

- (a) If the Participant's Retirement is prior to the Specific Payment Date that is applicable to a Deferral Subaccount, the Participant's deferral election pursuant to Sections 4.03 or 4.04 (*i.e.*, time and form of payment) shall continue to be given effect, and the Deferral Subaccounts shall be distributed based upon the provisions of Section 6.02.
- (b) If the Participant has selected payment of his or her deferral on account of Separation from Service, distribution of the related Deferral Subaccount shall commence on the first day of the first Plan Year after the date of the Participant's Separation from Service. Such distribution shall be made in a single lump sum payment under Section 4.03. However, if the Participant is classified as a Key Employee at the time of the Participant's Retirement (or at such other time for determining Key Employee status as may apply under Section 409A), then such Participant's Account shall not be paid, as a result of the Participant's Retirement, earlier than the date that is at least 6 months after the Participant's Retirement.
- (c) If the Participant is receiving installment payments for one or more Deferral Subaccounts in accordance with Section 6.02 at the time of his or her Retirement, such installment payments shall continue to be paid based upon the Participant's Second Look Election (but subject to acceleration under Sections 6.04, 6.06 and

6.07 relating to distributions on account of death, Disability and Unforeseeable Emergency).

IV. Modification to Article VII.

For periods effective from and after January 1, 2005 and on or before December 31, 2008, the language of Section 7.07 shall be replaced in its entirety with the following language:

7.07 Conformance with Section 409A:

At all times during each Plan Year, this Plan shall be operated (i) in accordance with the requirements of Section 409A, and (ii) to preserve the status of deferrals under the Pre-409A Program as being exempt from Section 409A, i.e., to preserve the grandfathered status of the Pre-409A Program. Any action that may be taken (and, to the extent possible, any action actually taken) by the Plan Administrator, the Recordkeeper or the Company shall not be taken (or shall be void and without effect), if such action violates the requirements of Section 409A or if such action would adversely affect the grandfather of the Pre-409A Program. If the failure to take an action under the Plan would violate Section 409A, then to the extent it is possible thereby to avoid a violation of Section 409A, the rights and effects under the Plan shall be altered to avoid such violation. A corresponding rule shall apply with respect to a failure to take an action that would adversely affect the grandfather of the Pre-409A Program. Any provision in this Plan document that is determined to violate the requirements of Section 409A or to adversely affect the grandfather of the Pre-409A Program shall be void and without effect. In addition, any provision that is required to appear in this Plan document to satisfy the requirements of Section 409A, but that is not expressly set forth, shall be deemed to be set forth herein, and the Plan shall be administered in all respects as if such provision were expressly set forth. A corresponding rule shall apply with respect to a provision that is required to preserve the grandfather of the Pre-409A Program. In all cases, the provisions of this Section shall apply notwithstanding any contrary provision of the Plan that is not contained in this Section.



Summary of Compensation Arrangements for Zein Abdalla. On September 19, 2012, the Compensation Committee of the Board of Directors of PepsiCo, Inc. (“PepsiCo”) approved the following compensation arrangements for Zein Abdalla, who was appointed effective September 11, 2012 to the position of President, PepsiCo based in Purchase, New York: (i) a base salary of \$900,000 and a target annual incentive compensation opportunity equal to 150% of base salary; (ii) continuation of housing, cost-of-living and educational benefits provided to Mr. Abdalla’s family as part of his Geneva, Switzerland-based international assignment until his family is able to relocate to the United States in July 2013; (iii) reimbursement of Mr. Abdalla’s periodic home leave flights to Geneva until his family’s relocation; and (iv) to assist with expenses related to Mr. Abdalla’s move to the United States, a transition payment of \$200,000 in September, 2013 and \$100,000 in September, 2014, in each case subject to applicable taxes and Mr. Abdalla’s continued employment through such dates.

PEPSICO, INC. AND SUBSIDIARIES  
 Computation of Ratio of Earnings to Fixed Charges  
 (in millions except ratio amounts, unaudited)

	36 Weeks Ended	
	9/8/2012	9/3/2011
<b>Earnings:</b>		
Income before income taxes	<b>\$6,335</b>	\$6,835
Unconsolidated affiliates' interests, net	<b>(18)</b>	(66)
Amortization of capitalized interest	<b>2</b>	2
Interest expense <sup>(a)</sup>	<b>611</b>	584
Interest portion of rent expense <sup>(b)</sup>	<b>144</b>	129
<b>Earnings available for fixed charges</b>	<b><u>\$7,074</u></b>	<b><u>\$7,484</u></b>
<b>Fixed Charges:</b>		
Interest expense <sup>(a)</sup>	<b>\$611</b>	\$584
Capitalized interest	<b>4</b>	7
Interest portion of rent expense <sup>(b)</sup>	<b>144</b>	129
<b>Total fixed charges</b>	<b><u>\$759</u></b>	<b><u>\$720</u></b>
<b>Ratio of Earnings to Fixed Charges <sup>(c)</sup></b>	<b><u>9.32</u></b>	<b><u>10.40</u></b>

(a) Excludes interest related to our reserves for income taxes as such interest is included in provision for income taxes.

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

(c) Based on unrounded amounts.



## Letter from Our Chairman and Chief Executive Officer

*I am pleased to present PepsiCo's refreshed Global Code of Conduct. Our Code has been updated to provide more specific information, but its basic principles and our values remain unchanged. Our Code continues to be a declaration of the highest standards of ethics and integrity in all that we do, uniting all of us at PepsiCo with one set of values that guide our daily decisions and actions.*

*Our Code defines how we do business the right way – guided by Performance with Purpose, our commitment to sustainable growth. It describes the “purpose” behind our performance and is designed to help us meet our obligations, show respect to one another in the workplace and act with integrity in the marketplace.*

*I encourage you to carefully read our Code and refer to it often for guidance. PepsiCo's outstanding reputation rests on how each of us conducts ourselves and how we conduct ourselves collectively as a company. Nothing is more important to PepsiCo, to me personally, and I hope to each of you, than preserving PepsiCo's good name by embracing the principles of our Code of Conduct.*

*Indra K. Nooyi  
Chairman and Chief Executive Officer*

This version of our PepsiCo Global Code of Conduct is a text-only version without graphics or images. To download a full copy of our Global Code of Conduct booklet with graphics and images, visit [www.pepsico.com](http://www.pepsico.com) and look for the Global Code of Conduct section.

## PepsiCo Values

### Our Commitment

To deliver sustained growth through empowered people acting with responsibility and building trust

### Guiding Principles

We must always strive to:  
Care for our customers, consumers and the world we live in  
Sell only products we can be proud of  
Speak with truth and candor  
Balance short term and long term  
Win with diversity and inclusion  
Respect others and succeed together

## Table of Contents

<b>The Purpose Behind Our Performance</b>	
Doing Business the Right Way	2
Responsibility for Our Code	2
<b>Your Personal Responsibilities</b>	
Follow Our Code	2
Lead by Example	2
Seek Guidance and Report Concerns	2
Speak Up	3
Non-Retaliation	3
<b>Respect in Our Workplace</b>	
Diversity and Inclusion	3
Human Rights	3
Anti-Discrimination	4
Anti-Harassment	4
Health and Safety	4
Substance Abuse	4
Anti-Violence	4
<b>Integrity in Our Marketplace</b>	
Product Quality	5
Responsible Marketing	5
Our Customers	5
Our Suppliers	5
Our Competitors	5
Community Involvement	6
<b>Ethics in Our Business Activities</b>	
Conflicts of Interest	6
Anti-Corruption	7
Anti-Bribery	7
Anti-Money Laundering	8
International Trade Controls	8
Political Activities	8
Business Gifts	8
<b>Responsibility to Our Shareholders</b>	
Accurate Business Records	9
Public Disclosures	9
Records Management	9
Audits and Investigations	9
Company Resources	9
Fraud	10
Confidential Information	10
Insider Trading	10
Privacy	11
External Communications	11
Intellectual Property	11
Email, Internet and Information Systems	11
<b>Administering Our Code</b>	
The Global Compliance and Ethics Department	12
Investigating Misconduct	12
Disciplinary Actions	12
Our Code is Not a Contract	12
Issuance of and Amendments to Our Code	12
Acknowledgement	12
Disclosure of Waivers	12
<b>Speak Up</b>	13



# The Purpose Behind Our Performance

## Doing Business the Right Way

Our Code is the “purpose” behind our performance.

At PepsiCo, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing to do for our business.

Our PepsiCo Global Code of Conduct (our “Code”) is our roadmap and compass for doing business the right way. Put simply, you do business the right way when you act ethically and consistently with our Values, our Code, our policies and the law.

Each of us is expected to embrace the principles of our Code and:

- Show respect in the workplace
- Act with integrity in the marketplace
- Ensure ethics in our business relationships
- Perform work responsibly for our shareholders

Our Code is at the center of everything we do. It reinforces our core Values and is the foundation of our strategic mission of Performance with Purpose – in fact, it is the purpose behind our performance.

## Responsibility for Our Code

Our Code applies to every employee, and to our Board of Directors; it governs every business decision we make.

Our Code governs all our decisions and actions, whether in our offices, plants or warehouses, in the Boardroom or in the trade selling our products to customers.

Our Code applies to:

- All PepsiCo employees around the world (including employees of our subsidiaries)
- Members of the PepsiCo Board of Directors when they act in their capacity as directors
- PepsiCo’s joint ventures over which PepsiCo has management control, and to every employee, officer and director of such joint ventures

PepsiCo’s Global Compliance and Ethics Department (“Global Compliance”) is accountable for promoting, monitoring and enforcing our Code. However, the ultimate responsibility for following our Code and for maintaining PepsiCo’s culture of ethical excellence rests with each one of us individually.

## Your Personal Responsibilities

### Follow Our Code

All of your work must comply with our Code, our policies, and the law.

Our reputation for acting ethically and responsibly is built one decision at a time, every day, by each of us. Our Code, together with our company policies, gives you the information you need to perform your job ethically. It is your responsibility to know and comply with the policies that apply to the work you do and the decisions you make.

In addition, as a global business, PepsiCo is committed to complying with the laws of the countries in which we operate. Global laws and

regulations are complex; however, following our Code and policies will help ensure your compliance with applicable local laws.

**Where can I find our company policies?**

You can find many of our global, sector, regional and function-related policies on our company intranet sites. You can also ask your manager or Human Resources manager for copies of applicable policies.

## Lead by Example

Each of us, especially leaders and managers, must act with integrity and inspire trust.

While all employees are expected to act ethically, each manager and leader at PepsiCo has the increased responsibility of leading by example. We expect our leaders and managers to serve as positive role models and inspire others to embrace our Code by:

- Rewarding integrity
- Encouraging ethical decision-making
- Creating an open work environment where team members feel comfortable raising concerns
- Preventing retaliation against those who speak up
- Seeking help in resolving and escalating issues when they arise

We rely on our leaders and managers to reinforce the principles of our Code and Values throughout all levels of our workforce.

**What should I do if my manager asks me to perform a task that I believe might violate our Code or a law?**

Raise your concerns openly and honestly with your manager. If you are not satisfied with your manager’s response, or otherwise feel uncomfortable speaking to your manager, raise the issue through any other resource listed under “Seek Guidance and Report Concerns”. You should never knowingly violate our Code, a policy or a law simply because a manager directs you to do so or because you failed to ask for guidance.

## Seek Guidance and Report Concerns

It is your responsibility to ask questions and raise concerns when compliance issues arise.

The Code, by its very nature, cannot describe every possible situation that you might encounter in your daily work. If you cannot find an answer in the Code, or if you have questions on how to interpret the Code, seek guidance. Likewise, if you are aware of something that may be a violation of our Code, our policies or the law, you should speak up and report it so it can be addressed. You have several channels to seek guidance or make a report:

**Your immediate manager, next level manager or Human Resources manager:** Your managers are excellent resources for guidance or concerns related to many company and job-specific policies and processes, work responsibilities, co-worker issues, discipline disputes, promotion opportunities, and issues related to the work environment.

**Global Compliance or the Law Department:** For issues involving actual or potential Code or legal violations, you are encouraged to seek guidance or raise concerns to Global Compliance or the Law Department. Some examples of these issues include:

- Accounting or auditing irregularities or misrepresentations
- Fraud, theft, bribery and other corrupt business practices
- Antitrust or insider trading violations
- Significant environmental, safety or product quality issues
- Illegal discrimination or harassment
- Actual or potential conflicts of interest
- Guidance on any national, regional, tribal, state or municipal legal requirements that apply to our company or to your job

For contact information for Global Compliance, please see Page 12 of our Code.

In addition to the resources listed above, you can ask questions, raise concerns or make reports of suspected compliance violations by calling Speak Up, PepsiCo’s ethics hotline.

**How do I know when I should seek guidance?**

If something does not feel right, then it might not be the right thing to do. Ask yourself:

- Am I sure this course of action is legal? Is it consistent with our Values, Code and policies?
- Could it be considered unethical or dishonest?
- Could it hurt PepsiCo’s reputation? Put our company at risk? Cause our company to lose credibility?
- Will this hurt other people? Employees? Customers? Consumers? Investors?
- Will it reflect poorly on me or PepsiCo? How would it look on the front page of the newspaper?

If you are unsure about the answers to any of these questions, you should seek additional guidance in making the right decision.

## Speak Up

You can contact Speak Up by phone or by web.

Speak Up is a 24-hour, toll-free ethics hotline available to all PepsiCo employees, suppliers, consumers, contractors, subcontractors and agents to ask questions or to raise concerns about compliance or business ethics.

The Speak Up line is available anywhere in the world:

- By phone using a special toll-free telephone number based on the country from which you are calling. In the United States call 1-866-729-4888. For a list of international country phone numbers, see our Speak Up section at the end of our Code
- By web available at [www.tmwgrc.com/PepsiCoSpeakUp](http://www.tmwgrc.com/PepsiCoSpeakUp)

To assist PepsiCo in investigating your report, you are encouraged to communicate all of the information you feel comfortable providing. The information will be kept confidential, except as needed to conduct a full, fair investigation. You may remain anonymous if you so choose, except where restricted by local law. Your identity, phone number or IP address will not be recorded or included in any report that is provided to PepsiCo. What matters is what is being reported, not who reports it.

Note: Due to local privacy laws in certain countries and the European Union region, the Speak Up line may permit only specific types of calls, such as accounting, financial, auditing and bribery matters. In those countries, contact your Human Resources manager to report other issues.

**What happens when I contact the Speak Up Line?**

Speak Up calls are answered by an independent third party with expertise in handling hotline calls. An Interview Specialist will ask you questions and send a report to Global Compliance for a confidential review. Appropriate professionals designated by Global Compliance will investigate concerns, and, if warranted, remedial actions will be taken.

## Non-Retaliation

You will not be retaliated against for raising concerns.

PepsiCo is committed to protecting the rights of those individuals who report issues in good faith. Our company will not retaliate against a person who in good faith:

- Reports what he or she believes is a violation of our Code, our policies, or the law

- Raises a compliance question or seeks advice about a particular business practice, decision or action
- Cooperates in an investigation of a potential violation

Retaliation against an employee for reporting an issue in good faith is itself a violation of our Code. If you know or suspect that retaliation has occurred or is occurring, you should report it.

## Respect in Our Workplace

### Our Purpose

One of the guiding principles of PepsiCo’s Values is to respect others and succeed together. Our success can be achieved only when we treat everyone, both within and outside our company, with respect. Respect in the workplace, along with individual excellence and collaborative teamwork, is how we will accomplish our goals.

## Diversity and Inclusion

Each of us must respect the diversity, talents and abilities of others.

At PepsiCo, we define “diversity” as all the unique characteristics that make each one of us: personalities, lifestyles, thought processes, work experiences, ethnicity, race, color, religion, gender, gender identity, sexual orientation, marital status, age, national origin, disability, veteran status or other differences. We strive to attract, develop and retain a workforce that is as diverse as the markets we serve, and to ensure an inclusive work environment that embraces the strength of our differences.

You play an important role in creating a work environment in which employees and business partners feel valued and respected for their contributions. You promote diversity and inclusion when you:

- Respect the diversity of each other’s talents, abilities and experiences
- Value the input of others
- Foster an atmosphere of trust, openness and candor

We will better understand the needs of our consumers and foster innovation if each of us embraces diversity and inclusion in all aspects of our business.

## Human Rights

Always be alert to possible human rights violations.

PepsiCo recognizes the importance of maintaining and promoting fundamental human rights in all of our operations and throughout our supply chain. Our Values, Code, talent sustainability strategies and employment policies work together to support the principles contained in the United Nation’s Universal Declaration of Human Rights and the International Labor Organization Fundamental Principles and Labor Standards. We operate under programs and policies that:

- Provide fair and equitable wages, benefits and other conditions of employment in accordance with local laws
- Recognize employees’ right to freedom of association
- Provide humane and safe working conditions
- Prohibit forced or child labor
- Promote a workplace free of discrimination and harassment

We expect our suppliers and business partners to uphold these principles as well. Our Supplier Code of Conduct and Supplier Assurance

Program are tools we use to minimize the risk of human rights abuses throughout our supply chain.

Always check your work-related actions to ensure that they do not violate or contradict any of the basic human rights principles noted above. If you suspect a human rights abuse within our operations or supply chain, speak up and report it.

[See our Human Rights Policy.](#)

---

## Anti-Discrimination

You should never discriminate or deny equal opportunity.

Each of us should have the opportunity to reach our full potential and contribute to PepsiCo's success. To accomplish this, you should never discriminate or treat employees or job applicants unfairly in matters that involve recruiting, hiring, training, promoting, compensation or any other term or condition of employment.

Your employment decisions regarding employees and applicants must always be based on merit, qualifications and job-related performance, without regard to non-job-related characteristics such as:

- Race, color, ethnicity, or national origin
- Gender or gender identity
- Sexual orientation
- Age
- Religion
- Disability
- Veteran status
- Any other legally protected status

Making employment decisions based on any of these personal characteristics is always against our policies and is illegal under the laws of many countries. You must always act fairly and give qualified individuals the chance to develop their abilities and advance within our company.

---

## Anti-Harassment

You must not harass others in our workplace.

PepsiCo seeks to provide a work environment that is free from harassment of any kind and/or any other offensive or disrespectful conduct. Our company complies with all country and local laws prohibiting harassment, and our Code prohibits harassment in the workplace.

Harassment includes unwelcome verbal, visual, physical or other conduct of any kind that creates an intimidating, offensive or hostile work environment. While the legal definition of harassment may vary by jurisdiction, we consider the following non-exhaustive list to be unacceptable behavior:

- Sexual harassment
- Offensive language or jokes
- Racial, ethnic, gender or religious slurs
- Degrading comments
- Intimidating or threatening behavior
- Showing hostility towards others because of individual characteristics

You should never act in a harassing manner or otherwise cause your co-workers to feel uncomfortable in their work environment. It is important to remember that harassment, sexual or otherwise, is determined by your actions and how they impact others, regardless of your intentions. If you or someone else is the subject of discrimination or harassment, speak up and report it.

[See our Global Anti-Harassment/Discrimination Policy.](#)

### What is sexual harassment?

Sexual harassment may consist of verbal, visual or physical conduct of a sexual nature that is unwelcome or that makes someone feel uncomfortable. It can take

- Sexual advances, requests for sexual favors or unwelcome demands for dates
- Sexually oriented jokes, pictures, text or email messages
- Explicit or degrading comments about appearance
- Display of sexually suggestive pictures or pornography

---

## Health and Safety

No matter where you work or what you do for our company, you are expected to put safety first.

We are committed to safeguarding the health and safety of our employees, visitors, contractors, consumers and communities. Our health and safety policies and procedures are designed to help you to work safely, whether at our facilities, in the marketplace or on the roadways. You should always speak up and raise a concern if you:

- Are asked to do a task you consider unsafe
- Are asked to do a job you think you are not properly trained to perform and that may harm you or others
- See someone performing a task that you think is unsafe or that the person is not properly trained to do
- Suspect that a vehicle or piece of equipment is not operating properly and may be unsafe
- Observe or are made aware of an unsafe condition or a potential danger to yourself or others

Safety is everyone's responsibility—you must insist that work be performed safely, no matter what your job is.

[See our Occupational Health and Safety Policy.](#)

---

## Substance Abuse

You should not work under the influence of alcohol or drugs.

If you work under the influence of drugs or alcohol, you pose an unacceptable safety risk to yourself and others. Drugs may include illegal drugs, controlled substances or misused prescription medication. You are expected to perform your job duties free from the influence of any substance that could impair job performance. We therefore prohibit:

- Working under the influence of alcohol, illegal drugs or controlled substances on or off PepsiCo premises
- Possessing, selling, using, transferring or distributing illegal drugs or controlled substances while working or on the premises
- Working while impaired by a lawful prescription medication or over-the-counter drug

If you have a drug or alcohol problem, you are encouraged to seek assistance. Contact your Human Resources manager to learn of applicable assistance programs in your region.

---

## Anti-Violence

You must never threaten anyone or display violent behavior in our workplace.

PepsiCo's safety programs include a zero-tolerance policy for workplace violence. You are prohibited from engaging in any act that could cause another individual to feel threatened or unsafe. This includes verbal



assaults, threats or any expressions of hostility, intimidation, aggression or hazing.

Our company also prohibits the possession of weapons in the workplace. To the full extent permitted by local law, this prohibition extends to company parking lots as well as our facilities. Our zero-tolerance policy for workplace violence applies to behavior on company premises, as well as to the behavior of our employees engaged in PepsiCo business anywhere in the world outside of our premises.

Don't delay- speak up and report threats or potential violence immediately to location management.

[See our Workplace Violence Policy.](#)

## Integrity in Our Marketplace

### Our Purpose

We should treat all those in the marketplace with whom we come into contact with fairness and integrity. This includes our consumers who purchase our products, our customers who sell our products, the communities we serve, as well as our competitors and our suppliers. Underlying this commitment to integrity is our obligation to comply with all applicable laws wherever we do business.

### Product Quality

You should never compromise product quality.

We are committed to producing high quality products across all of our brands. We maintain consumer trust by manufacturing superior products, starting with the purchase of our raw ingredients and continuing until the finished product reaches the consumers' hands. We are also committed to developing new products in an ethical and responsible manner, and to following applicable ethical standards and guidelines relating to research.

If you are involved in any aspect of developing, handling, packaging or storing our products, you are expected to:

- Know the product quality standards, policies, and procedures that apply to the products produced at your location
- Follow good manufacturing practices and testing protocols
- Comply with all applicable food safety laws and regulations

It is important to always be alert for situations that could compromise our products. If you see something that could negatively affect the quality of a PepsiCo product, speak up and report it immediately.

[See our Food Safety Policy.](#)

### Responsible Marketing

If you are involved in marketing, always market our products responsibly.

Our brands touch millions of lives each day. Our product marketing must reflect our company's high ethical standards, and be truthful, understandable and in compliance with all laws. If you are involved in marketing, you should never:

- Overstate or misrepresent the qualities of our products or packaging
- Use misleading or untruthful statements in our advertising or labels
- Make claims about our products, product ingredients, or health effects without adequate substantiation and proper legal clearance

You must ensure our marketing programs conform to applicable laws and regulations as well as applicable policies of your sector or function, including our guidelines relating to marketing to children.

[See our Statement on Marketing to Children.](#)

## Our Customers

We must treat our customers fairly.

Integrity in the marketplace requires each of us to treat our customers ethically, fairly, and in compliance with all applicable laws. When dealing with our customers, you should always:

- Earn their business on the basis of our superior products, customer service and competitive prices
- Present our services and products in an honest and forthright manner
- Avoid unfair or deceptive trade practices
- Communicate our sales programs clearly
- Deliver on your promises

Our contracts with customers must always reflect the importance and value we place on their business. All customer sales and trade spending agreements should be in writing and conform to our policies.

[See your sector or region Trade Spend Policy.](#)

**Are there any restrictions on signing "side letters" at a customer's request?**

You should never sign any side letter or any other document that modifies or interprets an existing customer agreement that relates to customer payments or that waives customer performance without the prior review and approval of the Law Department.

## Our Suppliers

All interactions with our suppliers must meet our high ethical standards.

We hold our suppliers to the same standards of integrity to which we hold ourselves. An unethical or illegal act of a supplier may hurt PepsiCo's reputation as a world-class company and cause a loss of goodwill in the communities we serve. Therefore, all suppliers must comply with our Supplier Code of Conduct as a condition of doing business with us. Our suppliers include any third-party vendor, consultant, contractor, service provider or supplier of raw materials, ingredients or packaging components.

**Putting Supplier Due Diligence Into Practice**

When selecting and retaining suppliers, you should:

- Follow our applicable bidding, negotiating and contracting processes
- Perform appropriate due diligence to determine that the supplier is a legitimate enterprise, with a reputation for integrity and ethical behavior, that does not engage in unlawful activities
- Avoid potential or actual conflicts of interest with suppliers

If you are responsible for selecting a supplier, you should base decision on merit, quality of service and reputation.

[See our Supplier Code of Conduct, our Human Rights Policy and our Conflicts of Interest Policy.](#)

## Our Competitors

Always compete with integrity and follow applicable antitrust and competition laws.

PepsiCo is committed to outperforming our competitors legally and ethically within the framework of a free enterprise system. Therefore, you should:

- Never comment on competitors' products or services in an inaccurate or untruthful manner
- Only use legitimate means of obtaining competitive information
- Respect the confidential information and intellectual property rights of our competitors and other third parties
- Always comply with antitrust and competition laws

When dealing with competitors, you should never enter into any agreement, whether formal or informal, written or verbal, to set prices or other terms of sale, coordinate bids, allocate customers, sales territories, or product lines, or engage in any other activity that violates applicable antitrust or competition laws. You should never discuss such topics with a competitor, even in an informal setting such as a trade show or customer event.

It is also important to avoid activities that may appear to violate antitrust or competition laws. For example, all written communications referring to our competitors should be business appropriate in tone and refrain from language that could be construed as encouraging anti-competitive behavior.

Violations of antitrust or competition laws may result in severe legal penalties for our company and criminal charges for the individuals involved. Competition laws are complex and vary by country. For guidance, you should consult the Law Department. If you suspect an antitrust violation, speak up and report it.

See your sector, region or country [Antitrust or Competition Policy](#).

#### How can I legitimately obtain competitive intelligence?

Competitive intelligence can be obtained fairly and ethically from publicly available sources, such as media reports, trade journals, annual reports, governmental filings, speeches of company executives, and from customers in the context of meeting competitive offers. Competitive intelligence should never be obtained through misrepresentation, trespassing, theft, invasion of privacy or obtaining information from co-workers about previous employers.

## Community Involvement

### Performance with Purpose drives sustainable growth.

PepsiCo's role in the communities it serves is guided by the principles of Performance with Purpose. Performance with Purpose has four components—Performance, and Human, Environmental, and Talent Sustainability.

- Performance: delivering financial results and ensuring long-term profitable growth
- Human: providing customers with a variety of product choices to help them lead balanced and healthier lives
- Environmental: protecting the earth's natural resources through innovation and efficiency in our operations
- Talent: investing in our associates to develop their talents and skills while creating employment opportunities in our communities

You can help us invest in our local communities by hiring local people, creating products that cater to local tastes, protecting natural resources and partnering with local farmers, governments and community groups.

PepsiCo is committed to delivering long-term profitable growth by investing in a healthier future for people and our planet. We operate based on the principle "what is good for business must always be good for society."

See our [Sustainability Report](#).

## Ethics in Our Business Activities

### Our Purpose

Our Code requires each of us to make ethical business decisions and to avoid conflicts of interest. Permitting corruption in our business activities is completely inconsistent with PepsiCo's focus on doing business the right way. Our commitment to integrity extends into all of our business relationships and to all interactions with government officials.

## Conflicts of Interest

### You should avoid a conflict, or an appearance of a conflict, between your personal interests and our company's interests.

Our company's conflicts of interest policy is straightforward—we all have an obligation to act in the best interest of our company at all times. Conflicts of interest may arise when you, a family member or a friend:

- Engage in activities that compete with, or appear to compete with, our company's interests
- Let your business decisions be influenced, or appear to be influenced, by personal or family interests or friendships
- Use company property, information or resources for personal benefit or the benefit of others
- Hire, supervise or have a direct or indirect line of reporting to a family member or someone with whom you have a romantic relationship
- Have outside employment that negatively affects your job performance or interferes with your PepsiCo responsibilities
- Receive any personal or financial benefit from, have a financial interest in, provide services to or work for a supplier, customer or competitor or a company that seeks to do business with us. (You may, individually, own stock of less than one percent (1%) of suppliers, customers, or competitors, provided that you own such stock through a publicly traded mutual fund or bank investment portfolio)

#### Who is considered to be a "family member" under the Code?

A family member can be any of the following: spouse, domestic partner, parent, sibling, child, grandparent, grandchild, niece or nephew, aunt or uncle, cousin, stepchild, or in-law. It can also be anyone living in your household, or anyone you are dependent upon or anyone dependent upon you or one of your relatives. Remember, potential conflicts are not limited to just relationships with relatives or family members. Conflicts of interest may arise with anyone with whom you have a friendship or personal relationship.

### You must disclose potential conflicts of interest to our company.

If at any time in your employment you think that you may have a potential or actual conflict of interest, you have an obligation to disclose the conflict promptly to our company. Many times conflicts can be resolved by an open and honest discussion. Certain material conflicts may require the acknowledgement of your confidentiality obligations, reassignment of roles, or recusal from certain business decisions.

You must disclose any actual or potential conflict to PepsiCo by doing the following:

- Check with Global Compliance or your local controller to submit your disclosure through the proper channels established by your sector or region. If you are unsure about who to contact, you can also disclose your potential conflict by sending an email to [PepsiCoComplianceDisclosures@pepsico.com](mailto:PepsiCoComplianceDisclosures@pepsico.com).
- If you are subject to our annual online Code of Conduct training, you must also disclose your potential conflict of interest at the end of the training course when prompted to do so. You should continue to disclose such circumstances each year in your annual Code training if the potential conflict is ongoing.

Remember, having a conflict of interest is not necessarily a Code violation, but failing to disclose it is.

[See our Conflicts of Interest Policy and Policy on Executives Serving as Directors of Other Public Entities.](#)

#### Putting Conflict of Interest Concepts into Practice

To determine if you have a conflict of interest that should be disclosed, ask yourself these questions:

- Do my outside interests influence, or appear to influence, my ability to make sound business decisions?
- Do I stand to benefit from my involvement in this situation? Does a friend or relative of mine stand to benefit?
- Could my participation in this activity interfere with my ability to do my job?
- Is the situation causing me to put my own interests ahead of PepsiCo's interests?
- If the situation became public knowledge, would I be embarrassed? Would PepsiCo be embarrassed?

## Anti-Corruption

**Your business decisions should never be influenced by corruption.**

Corrupt arrangements with customers, suppliers, government officials, or other third parties are strictly prohibited. "Corruption" generally refers to obtaining, or attempting to obtain, a personal benefit or business advantage through improper or illegal means. Corruption may involve payments or the exchange of anything of value and includes the following activities:

- Bribery (bribery of a government official or commercial bribery)
- Extortion
- Kickbacks

Corrupt activities are not only a Code violation, they can also be a serious violation of criminal and civil anti-bribery and anti-corruption laws in various countries. Should you become aware of any potential or actual corrupt arrangement or agreement, speak up and report it.

#### What is "anything of value"?

Corruption may involve the exchange of "anything of value." "Anything of value" is very broad and could include goods, services or merchandise, such as gift cards, event tickets, retail certificates, entertainment, travel perks, use of vacation homes, free airfare or accommodations, special favors or privileges, donations to designated charities, discounts, free personal services, financial or property loans, co-signing of a loan or mortgage, or a promise of future employment.

#### What is a "Kickback"?

A kickback is a form of corruption that involves two parties agreeing that a portion of sales or profits will be improperly given, rebated or kicked back to the purchaser in exchange for making the deal. For example, a kickback might involve a supplier who offers a PepsiCo associate a monthly payment equaling 5% of PepsiCo's purchases as an inducement to the associate to retain the supplier's services. Kickbacks, like other forms of corruption, are unethical and prohibited under our Code, policies and the law.

## Anti-Bribery

**You must comply with all anti-bribery laws.**

No matter where in the world you work, there is an anti-bribery law or policy that applies to you. Most countries have anti-bribery laws that prohibit bribing a government official. Under some countries' laws, such as the United Kingdom's Bribery Act, bribing anyone (called "commercial bribery") is also a crime. In addition, all PepsiCo employees regardless of personal location or place of business must comply with the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA makes bribery of government officials a crime and applies wherever PepsiCo conducts business.

To comply with anti-bribery laws, no employee should ever offer, directly or indirectly, any form of gift, entertainment or anything of value to any government official or his or her representatives to:

- Obtain or retain business,
- Influence business decisions, or
- Secure an unfair advantage

These prohibitions apply to our business operations and to anyone acting on our behalf, including agents, consultants, suppliers, and contractors

#### Putting Responsibility for Agents into Practice

When working with consultants or other third parties who deal with governments on our behalf, it is critical that you ensure that our agents never violate anti-bribery laws. You should be aware of certain "red flags" that may indicate a risk of bribery, including: the country's reputation for corruption; a request that we pay the consultant in cash or via an unknown third party; consulting fees that are out of proportion to the work being done; or a lack of communication or transparency in your relationship with the consultant or with respect to the work being done.

A "government official" includes a person who works for or is an agent of a government-owned or government-controlled entity. For purposes of anti-bribery laws, government officials include elected and appointed officers or employees of national, municipal or local governments (including individuals holding legislative, administrative and judicial positions), officials of political parties and candidates for political offices, and employees of a government or a state-controlled company.

#### What are examples of a "government official" under anti-bribery laws?

"Government officials" may include:

- Government employees of environmental, licensing, tax and custom agencies, commissions or departments
- Representatives of public international organizations, such as the World Bank
- Mayors or other local city officials who issue permits
- Members of law enforcement, including the military, local police and other enforcement agencies
- Purchasing managers of government-run airlines, universities, school systems or hospitals
- Members of royal families
- Employees of companies that are owned by the government
- Employees of public international charities such as UNICEF

Not all government payments are problematic. For example, payments may be made to a government entity in the normal course of business, such as to pay taxes or when the government entity is a customer or supplier. However, any payment to a specific government official is risky, particularly if the payment is discretionary.

All payments and gifts to, and entertainment of, government officials should be pre-approved by the Government Affairs or Law Department. The need for prior approval applies even if local law permits minimal

“facilitating” payments to government officials to expedite or ensure routine actions—such as issuing licenses, permits or visas. All payments, both direct and indirect, made to government officials must be accurately recorded in our books and records.

If you are unsure whether you might be dealing with a government official, or have any other questions on complying with anti-bribery laws, you should contact the Government Affairs or Law Department for guidance. Always speak up and report any suspected bribery activity.

[See our Global Anti-Bribery Compliance Policy.](#)

---

## Anti-Money Laundering

[If you suspect your customer or supplier is engaged in an illegal activity, report it.](#)

PepsiCo complies with all laws that prohibit money laundering or financing for illegal or illegitimate purposes. “Money laundering,” is the process by which persons or groups try to conceal the proceeds of illegal activities or try to make the sources of their illegal funds look legitimate.

You should always ensure that you are conducting business with reputable customers, for legitimate business purposes, with legitimate funds. Check for “red flags” such as requests from a potential customer or supplier for cash payments or other unusual payment terms. If you suspect money laundering activities, speak up and report it.

---

## International Trade Controls

[If you are involved in the import or export of goods, you must comply with trade regulations.](#)

As a global company, PepsiCo transfers goods, services and technologies across national borders. Our business transactions are subject to various trade controls and laws that regulate export and import, including:

- Government-imposed export controls, trade restrictions, trade embargoes, legal economic sanctions and boycotts
- Anti-boycott laws that prohibit companies from participating in or cooperating with an international boycott that is not approved or sanctioned by the U.S. government

If you are involved in the transfer of goods or services across national borders on behalf of our company or our customers, you must comply with these laws, regardless of where you are located. If U.S. law conflicts with a local trade law, U.S. law may apply. Always consult with the Law Department for proper guidance on this subject.

---

## Political Activities

[You are prohibited from using company resources for personal political activities.](#)

PepsiCo encourages its associates to participate in their communities, which may include political activities. However, you may not use company funds or resources, or receive company reimbursement, for those personal political activities, including contributions to political candidates or parties. You should avoid even the appearance of doing so.

On occasion, PepsiCo may communicate information and its corporate opinions on issues of public concern that affect our company. These announcements are not intended to pressure you to adopt certain ideas or support certain causes. Your decisions to contribute your own time or

money to any political or community activity are entirely personal and voluntary.

PepsiCo obeys all laws in promoting our company’s position relative to government authorities and in making political contributions. Corporate political contributions are strictly regulated and must always be approved by the PepsiCo Government Affairs Department.

---

## Business Gifts

[Business gifts must be lawful, authorized and appropriate.](#)

The practice of giving or receiving a customer’s or supplier’s business gift requires careful consideration by you and your manager. Before any gift is exchanged, you should determine if it is permitted under our Code and policies. Our Gifts Policy and applicable sector or function policies define acceptable business gift practices.

You are prohibited from providing, offering, or receiving any gift that serves to, or appears to, inappropriately influence business decisions or gain an unfair advantage. However, under certain circumstances you may exchange business gifts that are intended to generate goodwill, provided:

- The gift has a legitimate business purpose, is of nominal value (generally under \$75 U.S. dollars or its equivalent), is infrequent and meets all other requirements of our Gifts Policy, Travel and Entertainment Policy and your function or sector gift policies
- The gift is not cash or a cash equivalent
- Your division or function does not have a “no gifts” policy in effect
- The gift is permitted under the laws that apply to the recipient and the recipient of the gift is authorized and permitted to accept the gift

“Business gifts” do not include company-sponsored sales contests or incentive programs. In addition, business hospitality, including meals and entertainment, is not prohibited as long as the nature and frequency of the occasion is reasonable, the occasion involves the active conduct of company business and the business hospitality otherwise complies with our policies.

**Gifts to government officials:** You should be aware that giving or offering even a simple gift or meal to a government official can be illegal. You should consult with the Law Department or your controller for additional guidance on business gifts.

[See our PepsiCo Gifts Policy and our Travel and Entertainment Policy.](#)

### What departments or functions have a “no gifts” policy?

Employees who work in our Business Information Solutions (BIS) sector and in our Global Procurement function must follow their respective sector or function “no gifts” policy which prohibits the exchange of gifts of any kind, regardless of value. Always check with your manager, department head or controller to confirm whether or not your department, function or work group has a “no gifts” policy.

### What types of gifts are commonly considered as nominal in value?

Gifts that are infrequent and under \$75 U.S. dollars or equivalent in most countries are considered nominal. Examples include branded promotional items, such as a t-shirt or hat given as a goodwill gesture to introduce our brands.

## Responsibility to Our Shareholders

### Our Purpose

Acting with responsibility and transparency goes hand-in-hand with protecting shareholder value. Each employee creates value for our shareholders by putting our company's interests first, maintaining accurate business records and protecting and properly using company resources, information and property.

### Accurate Business Records

Your business records must be accurate and complete.

PepsiCo's focus on speaking with truth and candor underscores our commitment to accuracy in our company's books and records. Business records, including our financial statements, contracts and agreements, must always be accurate and reflect a forthright presentation of the facts. No matter what type of document or how insignificant it might seem, the information contained in a business record must always be truthful and complete. Financial records must reflect all components of the financial transactions and events. Likewise, all of your transactions, no matter what the dollar amount, must be properly authorized, executed and recorded.

You are accountable for the accuracy of the business records that you handle in the normal course of business. You should never:

- Falsify, omit, misstate, alter or conceal any information or otherwise misrepresent the facts on a company record
- Encourage or allow anyone else to compromise the accuracy and integrity of our records

If you notice an inaccuracy in a company record, or a failure to follow our internal control processes, you must promptly speak up and report it.

[See your sector or region Financial Policies.](#)

**What is meant by "business records?"**

"Business records" include any document, or communication in paper or electronic form that is maintained in the course of business. This covers a wide variety of information, including: presentations, spreadsheets, payroll documents, time cards, attendance records, legal agreements, information in filings with governmental agencies, inventory records, invoices, purchase orders, market research tests, lab tests, quality control tests, travel and expense reports, inspection records, transportation logs, hazardous material records, accident reports, and business plans.

### Public Disclosures

Our financial reporting obligations rely on PepsiCo's accurate business records.

Our investors and the general public rely on our company, and the law obligates us, to accurately report on our business, our earnings and our financial condition. The disclosures we make in our public communications, regulatory disclosures and reports submitted to the U.S. Securities and Exchange Commission and to other governmental agencies must always be full, fair, accurate, timely and understandable.

If you are involved in any aspect of preparing our financial statements, or the certifications on which they rely, you must always follow our financial policies, our system of internal controls and generally accepted accounting principles.

[See our Disclosure Policy.](#)

**Putting Accurate Financial Information Into Practice**

Accurate financial reporting means you should never:

- Understate or overstate known or estimated liabilities or assets

- Accelerate or defer costs in violation of generally accepted accounting principles
- Fail to properly maintain supporting documents for business transactions
- "Channel stuff," "trade load" or otherwise inflate or deflate quarterly or annual sales by pulling forward or delaying shipments or intentionally selling larger quantities than the customer needs

### Records Management

You should maintain business records in accordance with our Records Management Policies.

A company the size of PepsiCo generates a large volume of records and documents each day. The business records that you work with must be maintained, retained and destroyed in accordance with all legal and regulatory recordkeeping requirements. To manage your business records properly, you should:

- Comply with our records management policies for all documents, files, electronic records and emails
- Follow the retention periods specified in the Records Retention Schedule for your sector, country or function
- Follow the instructions in a "Legal Hold" record retention notification

You should consult the Law Department if you have specific questions about the retention period of a document, or if you have questions concerning the documents referred to in a Legal Hold notification. Destruction of documents subject to a Legal Hold notice, even inadvertently, could expose our company and you to civil and criminal liability.

[See your sector or region Records Management Policies and the Record Retention Schedules.](#)

### Audits and Investigations

Our auditors and investigators require your full cooperation.

During your employment with PepsiCo, you may be asked to participate in an audit or internal investigation conducted by our internal auditors, external auditors, Global Compliance or the Law Department. When this happens, you are always expected to cooperate fully and communicate honestly.

You may also receive a request for documents or a request to meet with regulators or lawyers in connection with a legal proceeding or government investigation. If you receive such a request, you should immediately contact the Law Department for assistance.

### Company Resources

You have an obligation to protect PepsiCo's resources.

PepsiCo relies on you to use company resources honestly and efficiently. Resources include physical property, such as facilities, supplies, equipment, machinery, spare parts, raw ingredients, finished products, vehicles and company funds. They also include intangible assets, such as

company time, confidential information, intellectual property and information systems. You should use company resources only for legitimate business purposes and protect them from theft, loss, damage, or misuse.

The obligation to protect company funds is particularly important if you have spending authority, approve Travel and Entertainment expenses or manage budgets and accounts. You must always:

- Ensure the funds are properly used for their established purpose
- Obtain required approval before incurring an expense
- Accurately record all expenditures
- Verify that expenses submitted for reimbursement are business-related, properly documented and comply with our policies

If you are aware of company resources being misused, speak up and report it.

[See our Travel and Entertainment Policy.](#)

**What are some examples of misappropriating company resources?**

Taking product or supplies for personal use, charging personal expenses on company credit cards, using company vehicles for unauthorized personal transportation needs, reselling scrap or waste product for your financial gain, or diverting assets through fraud or embezzlement are all examples of misappropriating company resources.

---

## Fraud

**You should never compromise honesty and integrity by committing fraud.**

You misuse company resources, and commit fraud, when you intentionally conceal, alter, falsify or omit information for your benefit or the benefit of others. Fraud may be motivated by the opportunity to gain something of value (such as meeting a performance goal or obtaining a payment) or to avoid negative consequences (such as discipline). Examples of fraud include:

- Altering manufacturing numbers to meet productivity goals
- Presenting false medical information to obtain disability benefits
- Falsely reporting time worked to earn more pay or to avoid discipline for being late or absent from work
- Misrepresenting sales or donations of products to obtain unauthorized pricing for a customer
- Misstating financial information in our company's books and records

You should also avoid the appearance of fraud. For example, never spend company funds without proper approval. Similarly, never enter into an agreement on behalf of our company unless you are authorized to do so.

---

## Confidential Information

**You must protect the confidential information of our company and our business partners.**

During your employment, you may acquire certain information about PepsiCo, its customers, suppliers or business partners or another third party that is confidential, competitively sensitive and/or proprietary. You should assume that company information is confidential or competitively

sensitive unless you have clear indication that PepsiCo has publicly released the information.

Always take reasonable and necessary precautions to protect any confidential information relating to PepsiCo or another company to which you have access. You should not disclose any confidential business information to anyone outside PepsiCo, even to members of your own family, unless the disclosure is:

- Properly authorized
- In connection with a clearly defined, legitimate business need
- Subject to a written confidentiality agreement approved by the Law Department

Even within our company and among your co-workers, you must only share confidential information on a need-to-know basis.

[See our Trade Secrets Policy.](#)

**What business information is considered to be "confidential"?**

"Confidential information" includes non-public information that, if improperly disclosed, could be useful to competitors or harmful to PepsiCo, our suppliers, our customers, or another third party or material to a reasonable investor's decision to buy or sell PepsiCo securities or securities of our business partners. For example, earnings, forecasts, business plans and strategies, significant restructurings, potential acquisitions, formulas, pricing, sales information, research, new product development, undisclosed marketing and promotional activity, significant management changes, a change in auditor or the withdrawals of auditor reports, and events regarding PepsiCo securities would all qualify as "confidential information".

---

## Insider Trading

**You may violate the law if you trade stock on "inside information."**

In the course of performing your job, you may learn of certain confidential information that qualifies as "material non-public information" about PepsiCo, one of its customers, suppliers, or business partners or another third party. Information is considered to be "material non-public information" when it:

- has not been widely disseminated to the public, and
- is information that a reasonable investor would consider important in making a decision to buy or sell a particular security

You should not disclose material, non-public information to anyone outside our company, including family members and friends. For examples of confidential "material non-public information", please see "Confidential Information".

You should not transact in PepsiCo securities or the securities of another company involved with PepsiCo while you have material, non-public information about PepsiCo or that company. This prohibition on trading applies to all transactions in PepsiCo securities, including purchasing or selling PepsiCo securities, exercising options, selling restricted stock units and increasing or decreasing your investment in PepsiCo securities through your 401(k). In addition, you are not permitted to engage in activities that are designed to hedge or offset any decrease in the market value of PepsiCo stock (including purchasing financial instruments such as prepaid variable forward contracts, collars, exchange funds or equity swaps or engaging in short sales). You also may not hold PepsiCo securities in a margin account or pledge PepsiCo stock or PepsiCo stock options as collateral for a loan or otherwise.

**I don't work with stocks or securities in my job. Do prohibitions on insider trading apply to me?**

Yes, anyone with knowledge of confidential, material information can violate inside trading laws if they disclose material non-public information to third parties

who may then trade stock based on that information or if they themselves trade stock based on that information. Even during casual conversations with family and friends, you must exercise caution and not disclose any of our company's confidential information.

## Privacy

If you have access to personal information, keep it private and protected.

If you have access to personally identifiable data of our employees, Board of Directors, our suppliers, contractors or customers or the systems that maintain it, you must comply with all applicable policies and laws regarding the collection, use and disclosure of personally identifiable data. You should:

- Only access personal information for legitimate business purposes
- Securely store and dispose of personal information
- Transmit—securely via encryption—personal information only to authorized parties who are obligated to protect its confidentiality
- Promptly report any possible privacy breaches or security risks to the Law Department

Many countries have laws and directives that regulate the exchange of certain personal information of our employees across country borders. We abide by the privacy laws that are in effect in the countries in which we conduct business. Consult with the Law Department if you are involved in a project in which you may be required to transfer personally identifiable information outside of its country of origin.

See our [Personal Information Privacy Policy](#).

**What personal information does PepsiCo protect?**

Examples of personal information that must be protected include residential addresses and non-business related phone numbers, government-assigned identification numbers, salary and other compensation information, performance records and information relating to banking, benefits, leaves of absence and medical history.

## External Communications

You are not authorized to speak on behalf of our company.

If you are contacted and asked to discuss company business with any members of the press, investors or market analysts, do not provide any information. Instead, you should politely advise the outside party that you are not authorized to discuss the subject, and refer them to the spokesperson designated in our Media Interaction Policy and our Disclosure Policy for your sector or region.

Similarly, when using social media you should be clear that you do not speak on behalf of the company. You should always:

- State that the materials and opinions you are posting are yours and not the company's
- Take every possible precaution to ensure that you are not disclosing any confidential information about PepsiCo
- Refrain from using any PepsiCo or third party logos or trademarks without express permission

See our [Media Interaction Policy](#), [Disclosure Policy](#) and [Social Media Policy](#).

**What are some examples of social media use that violates our policies?**

When using social media, whether outside of or at work or in connection with your work, you should never post photos, images, videos or audio clips of our

facilities; never use PepsiCo logos, trademarks or copyrighted materials without permission; never represent or leave the impression that the views you express are the views of our company.

## Intellectual Property

Always use our trademarks and other intellectual property properly.

Our intellectual property is an invaluable asset that must be protected at all times. Intellectual property includes our trademarks, brands, package designs, logos, copyrights, inventions, patents and trade secrets. You should never allow a third party to use our trademarks or other intellectual property without proper authorization and a license agreement that has been approved by the Law Department. Furthermore, our trademarks should never be used in a degrading, defamatory or otherwise offensive manner.

Our intellectual property also includes employees' work product. As a company employee, any work you create, in whole or in part, in connection with your duties, and/or using company time, resources or information, belongs to PepsiCo. For example, inventions, ideas, discoveries, improvements, artwork, processes, designs, software or any other materials you may help to create or author in connection with your work for our company belongs to PepsiCo. You should promptly disclose any invention related to our business, so that it may receive the same protection as other intellectual property of our company.

## Email, Internet and Information Systems

You must use company email and internet accounts responsibly and protect the security of our information systems.

Our information technology systems are a key component of our business operation and are provided for authorized business purposes. Your use of these systems must comply with our Information Security Policy and Acceptable Use Standards. You may engage in reasonable incidental personal use of phone, email and the internet as long as such usage does not:

- Consume a large amount of time or resources
- Interfere with your work performance or that of others
- Involve illegal, sexually explicit, discriminatory or otherwise inappropriate material
- Relate to outside business interests
- Violate our Code or any company policy

While it is generally not our practice to monitor employees' use of our information systems, PepsiCo reserves the right to monitor, record, disclose, audit, and delete without prior notice the nature and content of an employee's activity using our company's email, phone, voicemail, internet and other systems, to the extent permitted by local law.

**Putting Information Security into Practice**

To safeguard our information systems, you should never:

- Share your PepsiCo system passwords with anyone
- Leave laptops or other mobile devices unattended while traveling or in an exposed location where they can be stolen
- Download unauthorized or unlicensed software on PepsiCo computers

If you suspect a data breach or become aware of any situation in which data has been compromised, including the loss or theft of a laptop or handheld device, immediately report the situation to your local technical support team or Help Desk.

## Administering Our Code

### The Global Compliance and Ethics Department

You may contact Global Compliance with questions at any time.

- For general inquiries, contact [PepsiCoComplianceandEthics@pepsico.com](mailto:PepsiCoComplianceandEthics@pepsico.com)
- For questions on our training programs, contact [PepsiCoComplianceTraining@pepsico.com](mailto:PepsiCoComplianceTraining@pepsico.com)
- For questions and disclosures concerning Conflicts of Interest, contact [PepsiCo Compliance Disclosures@pepsico.com](mailto:PepsiCoComplianceDisclosures@pepsico.com)
- You can send a postal mail letter to Global Compliance Department, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577
- You can contact us by fax: (914) 249-8086

### Investigating Misconduct

PepsiCo takes seriously all reports of misconduct.

All reports of suspected violations of our Code or the law will be taken seriously and promptly reviewed. As appropriate, Global Compliance will assign investigator(s) to review all reported instances of alleged Code violations. The investigator(s) will:

- Act objectively in determining facts through interviews or a review of documents
- Contact employees who may have knowledge about the alleged incident(s)
- Recommend corrective actions and/or disciplinary measures where appropriate

In accordance with applicable law, PepsiCo strives to:

- Protect the confidentiality of the individuals involved, to the extent practical
- Inform an employee of the accusations reported against him/her at a time when such a disclosure will not jeopardize the investigation
- Where permissible, allow employees to review and correct information reported

If asked, you must cooperate fully with any inquiry or investigation.

### Disciplinary Actions

If you violate our Code, the Company will take appropriate disciplinary action.

You are expected to follow the Code, and comply with our policies and the law while conducting business on behalf of PepsiCo as a condition of employment. Violating the Code, our policies or the law may result in:

- Disciplinary action, up to and including termination of employment, depending on the nature and severity of the Code violation
- In the case of a violation of law, civil and/or criminal penalties may be imposed by a governmental agency or a court

### Our Code is Not a Contract

Our Code is not a contract. It does not convey any specific employment rights or guarantee employment for any specific period of time.

### Issuance of and Amendments to Our Code

Our company's Board of Directors is responsible for approving and issuing the Code. The effective date of this Code is October 1, 2012. Our Code is reviewed periodically by Global Compliance and the Law Department to determine whether revisions may be required due to changes in the law or regulations, or changes in our business or the business environment. The Board of Directors must approve any changes to our Code.

### Acknowledgement

Each year, PepsiCo distributes its Code of Conduct to its employees and conducts annual online Code of Conduct training for salaried employees with internet and email access. Employees who train online and our Board of Directors are required to acknowledge that they have read and understand our Code. They must also certify their compliance with our Code, and disclose any potential conflict of interest or any other possible exception to compliance with the Code. Failure to complete the certification process can be a Code violation and can subject you to disciplinary action and/or impact your performance reviews at the company's discretion, where permitted by law. In no circumstance does your failure to read our Code, sign an acknowledgement or certify online exempt you from your obligation to comply with our Code.

### Disclosure of Waivers

Any waiver of our Code requires the prior written approval of the Chief Compliance and Ethics Officer or, in certain circumstances, the Board of Directors or a committee thereof. If required by applicable law, waivers will be promptly disclosed as required by applicable law.



## Speak Up

Confidential. Toll-free. 24 hours a day.

Every PepsiCo employee is responsible for acting ethically and following our Code of Conduct. If you see or hear something you believe is illegal or a violation of our Code of Conduct . . . Speak Up!

Report your concerns to your supervisor, Human Resources manager or the Speak Up line. With Speak Up, you may remain anonymous if you choose to do so.

Use the Speak Up line to report:

- Inaccuracy of financial records
- Accounting and auditing irregularities
- Bribery, corruption or illegal payments
- Criminal conduct and violations of law
- Discrimination and harassment
- Product quality issues
- Safety and environmental hazards
- Conflicts of interest
- Theft or fraud
- Workplace violence

PepsiCo policy protects employees who raise concerns in good faith against retaliation. Contact Speak Up by phone or by web. For phone numbers, see the [Speak Up Call List](#) on the next page, or contact the Speak Up WebLine at [www.tnwgrc.com/PepsiCoSpeakUp](http://www.tnwgrc.com/PepsiCoSpeakUp).

Due to local privacy laws in certain countries and the European Union region, the Speak Up line may permit only specific types of calls, such as accounting, financial, auditing and bribery matters. In those countries, contact your Human Resources manager to report other issues.



# Call List

To call the Speak Up line, please follow the dialing instructions for the country you are calling from. Countries with an asterisk (\*) are serviced by AT&T Direct service. To call Speak Up, dial the AT&T Access Code listed for your country. After a brief AT&T greeting in English followed by a "bong" tone, please dial the Speak Up toll-free number 1-800-472-6145. Please be patient. An operator in your native language will answer the Speak Up call.

For countries not listed, use the international operator to place a collect call to the U.S. at 770-810-2637.

You can also submit a report by using the Speak Up WebLine at [www.tnwgrc.com/PepsiCoSpeakUp](http://www.tnwgrc.com/PepsiCoSpeakUp).

<b>Argentina</b>	0-800-444-3110	<b>Greece</b>	00-800-11-008-3110	<b>Russia*</b>	
<b>Australia</b>	1-800-30-8737	<b>Guatemala</b>		<i>Moscow and St. Petersburg</i>	
<b>Belgium</b>	0800-71899	Use international		Dial AT&T Access	
<b>Bosnia</b>		operator to place		Code	363-2400
Dial AT&T		collect call to		After the tone, dial	800-472-6145
Access Code	00-800-0010	U.S. at	770-810-2637	<i>All other areas</i>	
After the tone, dial	800-472-6145	<b>Hong Kong*</b>		For dial tone, dial	8
or		<i>Telecom</i>		Then, dial Access	
Use international		Dial AT&T Access		Code	10-800-110-1011
operator to place		Code	800-96-1111	After the tone, dial	800-472-6145
collect call to U.S. at	770-810-2637	After tone, dial	800-472-6145	<b>Saudi Arabia*</b>	
Ask for "Bosnian"		<i>New World</i>		Dial AT&T Access	
or press	3	Dial AT&T Access	800-93-2266	Code	1-800-10
<b>Brazil</b>	0-800-891-4156	Code		After the tone, dial	800-472-6145
<b>Bulgaria</b>		After tone, dial	800-472-6145	<b>Serbia</b>	
Dial AT&T Access		<b>Hungary</b>	06-800-18042	Use international	
Code	00-800-0010	<b>India</b>		operator to place	
After the tone, dial	800-472-6145	Mobile	000-800-100-1038	collect call to U.S. at	770-810-2637
<b>Canada</b>		Landlines	1-800-800-1038	Ask for "Serbian"	
Call toll free at	1-866-729-4888	<b>Indonesia</b>	001-803-1-008-3110	or press	3
<b>Chile</b>	800-442400	<b>Ireland</b>	1800-553836	<b>Singapore</b>	800-110-1514
<b>China</b>		<b>Israel</b>	180-941-3110	<b>Slovakia*</b>	
<i>North China</i>	10-800-711-0632	<b>Italy</b>	800-788033	Dial AT&T Access	
<i>South China</i>	10-800-110-0575	<b>Japan</b>	00531-11-4490	Code	0-800-000-101
<b>Colombia</b>	01-800-912-0113	<b>Jordan*</b>		After the tone, dial	800-472-6145
<b>Croatia*</b>		Dial AT&T Access		<b>South Africa</b>	0800-980-063
Dial AT&T Access		Code	18-800-000	<b>Spain</b>	900-97-1022
Code	0800-220-111	After the tone, dial	800-472-6145	<b>Switzerland</b>	0800-55-7441
After the tone, dial	800-472-6145	<b>Kazakhstan</b>		<b>Taiwan*</b>	
<b>Cyprus</b>	8009-0662	<b>and Kyrgystan</b>		Dial AT&T Access	
<b>Czech Republic</b>	800-143-711	Use international		Code	00-801-10-288-0
<b>Dominican Republic</b>	1-800-472-6145	operator to place		After the tone, dial	800-472-6145
<b>Ecuador*</b>		collect call to		<b>Thailand</b>	011-800-11-008-3110
Andinatel		U.S. at	770-810-1120	<b>Turkey*</b>	
Dial AT&T Access		<b>Malaysia</b>	1-800-80-3427	Dial AT&T Access	
Code	1-999-119	<b>Mexico</b>	001-800-472-6145	Code	0811-288-0001
After tone, dial	800-472-6145	<b>Netherlands</b>	0800-022-9671	After the tone, dial	800-472-6145
Pacifictel		<b>New Zealand</b>	0800-449-061	<b>Ukraine*</b>	
Dial AT&T Access		<b>Norway</b>	800-15561	Dial AT&T Access	
Code	1-800-999-119	<b>Pakistan*</b>		Code	8
After tone, dial	800-472-6145	Dial AT&T Access		Wait for tone, then dial	10011
<b>Egypt*</b>		Code	00-800-01-001	After the second tone,	
Cairo		After the tone, dial	800-472-6145	dial	800-472-6145
Dial AT&T Access		<b>Peru</b>	0800-52-501	<b>United Arab Emirates*</b>	
Code	510-0200	<b>Philippines</b>	1-800-1-111-0910	Dial AT&T Access	
After the tone, dial	800-472-6145	<b>Poland</b>	0-0-800-111-1603	Code	0-800-121
Outside of Cairo		<b>Portugal</b>	800-811072	After the tone, dial	800-472-6145
Dial AT&T Access		<b>Puerto Rico</b>		<b>United Kingdom</b>	0808-234-6702
Code	02-510-0200	Call toll free at	1-866-729-4888	<b>United States</b>	
After the tone, dial	800-472-6145	<b>Romania*</b>		Call toll free at	1-866-729-4888
<b>Georgia</b>		Dial AT&T Access		<b>Uruguay</b>	000-411-008-3110
Use international		Code	0808-03-4288	<b>Venezuela</b>	
operator to place		After the tone, dial	800-472-6145	Use international operator	
collect call to U.S. at	770-810-1120			to place collect call to U.S.	
<b>Germany</b>	0800-181-7774			at	770-810-2637

**Vietnam\***

Dial AT&T Access

Code

1-201-0288

After the tone, dial

800-472-6145





**PEPSICO**

PepsiCo, Inc.  
700 Anderson Hill Road  
Purchase, NY 10577

[www.pepsico.com](http://www.pepsico.com)

©2012 PepsiCo, Inc.

PepsiCo's *Global Code of Conduct* contains many of the valuable trademarks owned and/or used by PepsiCo and its subsidiaries and affiliates to distinguish its products and services of outstanding quality. All trademarks featured herein are the property of their respective owners.

The photos and/or images included in the Code of Conduct may or may not represent current logos, marks, uniforms or staff and should not be reproduced in any other media or publication.

Global  
**Code of Conduct**



### Accountant's Acknowledgement

The Board of Directors and Shareholders

PepsiCo, Inc.:

We hereby acknowledge our awareness of the use of our report dated October 17, 2012 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and thirty-six weeks ended September 8, 2012, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

#### **Description, Registration Statement Number**

##### **Form S-3**

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

##### **Form S-8**

- The PepsiCo 401(k) Plan for Hourly Employees, 333-150868
- The PepsiCo 401(k) Plan for Salaried Employees, 333-150867
- PepsiCo, Inc. 2007 Long-Term Incentive Plan, 333-142811, 333-166740
- PepsiCo, Inc. 2003 Long-Term Incentive Plan, 333-109509
- PepsiCo SharePower Stock Option Plan, 33-35602, 33-29037, 33-42058, 33-51496, 33-54731, 33-66150 and 333-109513
- Director Stock Plan, 33-22970 and 333-110030
- 1979 Incentive Plan and the 1987 Incentive Plan, 33-19539
- 1994 Long-Term Incentive Plan, 33-54733
- PepsiCo, Inc. 1995 Stock Option Incentive Plan, 33-61731, 333-09363 and 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 and 33-60965
- PepsiCo 401(k) Plan, 333-89265
- Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates and the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamster Local Union #173), 333-65992
- The Quaker Long Term Incentive Plan of 1990, The Quaker Long Term Incentive Plan of 1999 and The Quaker Oats Company Stock Option Plan for Outside Directors, 333-66632
- The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees, 333-66634
- The PepsiCo 401(k) Plan for Salaried Employees, 333-76196
- The PepsiCo 401(k) Plan for Hourly Employees, 333-76204
- The PepsiCo Share Award Plan, 333-87526
- PBG 401(k) Savings Program, PBG 401(k) Program, PepsiAmericas, Inc. Salaried 401(k) Plan and PepsiAmericas, Inc. Hourly 401(k) Plan, 333-165106
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan, PBG Stock Incentive Plan and PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165107

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

New York, New York

October 17, 2012

## CERTIFICATION

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

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

Date: October 17, 2012

/s/ Indra K. Nooyi

---

Indra K. Nooyi

Chairman of the Board of Directors  
and Chief Executive Officer

## CERTIFICATION

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

1. I have reviewed this 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: October 17, 2012

/s/ Hugh F. Johnston

---

Hugh F. Johnston

Executive Vice President and Chief Financial  
Officer

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 8, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: October 17, 2012

/s/ Indra K. Nooyi

---

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

---

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 8, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Executive Vice President and Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: October 17, 2012

/s/ Hugh F. Johnston

---

Hugh F. Johnston  
Executive Vice President and Chief Financial  
Officer