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 5, 2020 (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	13-1584302
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

700 Anderson Hill Road, Purchase, New York 10577

(Address of principal executive offices and Zip Code)

(914) 253-2000

Registrant's telephone number, including area code

N/A

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value 1-2/3 cents per share	PEP	The Nasdaq Stock Market LLC
1.750% Senior Notes Due 2021	PEP21a	The Nasdaq Stock Market LLC
2.500% Senior Notes Due 2022	PEP22a	The Nasdaq Stock Market LLC
0.250% Senior Notes Due 2024	PEP24	The Nasdaq Stock Market LLC
2.625% Senior Notes Due 2026	PEP26	The Nasdaq Stock Market LLC
0.750% Senior Notes Due 2027	PEP27	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2028	PEP28	The Nasdaq Stock Market LLC
0.500% Senior Notes Due 2028	PEP28a	The Nasdaq Stock Market LLC
1.125% Senior Notes Due 2031	PEP31	The Nasdaq Stock Market LLC
0.875% Senior Notes Due 2039	PEP39	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

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

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

Number of shares of Common Stock outstanding as of September 24, 2020 was 1,381,956,485.

PepsiCo, Inc. and Subsidiaries

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

Condensed Consolidated Statement of Income
PepsiCo, Inc. and Subsidiaries
(in millions except per share amounts, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Net Revenue	**$ 18,091**	$ 17,188	**$ 47,917**	$ 46,521
Cost of sales	**8,156**	7,694	**21,371**	20,786
Gross profit	**9,935**	9,494	**26,546**	25,735
Selling, general and administrative expenses	**6,924**	6,639	**19,292**	18,143
Operating Profit	**3,011**	2,855	**7,254**	7,592
Other pension and retiree medical benefits income	**86**	38	**247**	163
Net interest expense and other	**(264)**	(224)	**(789)**	(651)
Income before income taxes	**2,833**	2,669	**6,712**	7,104
Provision for income taxes	**526**	559	**1,396**	1,529
Net income	**2,307**	2,110	**5,316**	5,575
Less: Net income attributable to noncontrolling interests	**16**	10	**41**	27
Net Income Attributable to PepsiCo	**$ 2,291**	$ 2,100	**$ 5,275**	$ 5,548
Net Income Attributable to PepsiCo per Common Share				
Basic	**$ 1.66**	$ 1.50	**$ 3.80**	$ 3.96
Diluted	**$ 1.65**	$ 1.49	**$ 3.79**	$ 3.94
Weighted-average common shares outstanding				
Basic	**1,384**	1,397	**1,387**	1,401
Diluted	**1,390**	1,405	**1,393**	1,409

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income
PepsiCo, Inc. and Subsidiaries
(in millions, unaudited)

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Net income	**$ 2,307**	$ 2,110	**$ 5,316**	$ 5,575
Other comprehensive income/(loss), net of taxes:				
Net currency translation adjustment	**414**	(159)	**(1,136)**	(51)
Net change on cash flow hedges	**11**	(38)	**(37)**	(71)
Net pension and retiree medical adjustments	**(1)**	56	**119**	115
Other	**(3)**	(1)	**(3)**	—
	421	(142)	**(1,057)**	(7)
Comprehensive income	**2,728**	1,968	**4,259**	5,568
Comprehensive income attributable to noncontrolling interests	**(16)**	(10)	**(41)**	(27)
Comprehensive Income Attributable to PepsiCo	**$ 2,712**	$ 1,958	**$ 4,218**	$ 5,541

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows
PepsiCo, Inc. and Subsidiaries
(in millions, unaudited)

	36 Weeks Ended	
	9/5/2020	9/7/2019
Operating Activities		
Net income	**$ 5,316**	$ 5,575
Depreciation and amortization	**1,731**	1,634
Share-based compensation expense	**186**	169
Restructuring and impairment charges	**124**	282
Cash payments for restructuring charges	**(166)**	(248)
Inventory fair value adjustments and merger and integration charges	**286**	46
Cash payments for merger and integration charges	**(97)**	(4)
Pension and retiree medical plan expenses	**121**	165
Pension and retiree medical plan contributions	**(501)**	(391)
Deferred income taxes and other tax charges and credits	**96**	195
Net tax related to the Tax Cuts and Jobs Act (TCJ Act)	**—**	(29)
Tax payments related to the TCJ Act	**(78)**	(393)
Change in assets and liabilities:		
Accounts and notes receivable	**(1,430)**	(1,716)
Inventories	**(549)**	(573)
Prepaid expenses and other current assets	**(202)**	(264)
Accounts payable and other current liabilities	**289**	80
Income taxes payable	**583**	347
Other, net	**414**	188
Net Cash Provided by Operating Activities	**6,123**	5,063
Investing Activities		
Capital spending	**(2,074)**	(1,959)
Sales of property, plant and equipment	**26**	63
Acquisitions, net of cash acquired, and investments in noncontrolled affiliates	**(6,373)**	(2,628)
Divestitures	**4**	253
Short-term investments, by original maturity:		
More than three months - purchases	**(400)**	—
More than three months - maturities	**—**	8
More than three months - sales	**—**	3
Three months or less, net	**23**	13
Other investing, net	**33**	(38)
Net Cash Used for Investing Activities	**(8,761)**	(4,285)
Financing Activities		
Proceeds from issuances of long-term debt	**10,564**	3,098
Payments of long-term debt	**(814)**	(2,954)
Short-term borrowings, by original maturity:		
More than three months - proceeds	**4,069**	6
More than three months - payments	**(1,801)**	—
Three months or less, net	**(11)**	94
Cash dividends paid	**(4,094)**	(3,971)
Share repurchases - common	**(1,543)**	(2,268)

Proceeds from exercises of stock options	**145**	282
Withholding tax payments on restricted stock units (RSUs) and performance stock units (PSUs) converted	**(86)**	(100)
Other financing	**(18)**	(16)
Net Cash Provided by/(Used for) Financing Activities	**6,411**	(5,829)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	**(184)**	(11)
Net Increase/(Decrease) in Cash and Cash Equivalents and Restricted Cash	**3,589**	(5,062)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	**5,570**	10,769
Cash and Cash Equivalents and Restricted Cash, End of Period	**$ 9,159**	$ 5,707
Supplemental Non-Cash Activity		
Right-of-use assets obtained in exchange for lease obligations	**$ 431**	$ 304

See accompanying notes to the condensed consolidated financial statements.

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

	(Unaudited) 9/5/2020	12/28/2019
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 9,094**	$ 5,509
Short-term investments	**611**	229
Accounts and notes receivable, less allowance: 9/20 - $220 and 12/19 - $105	**9,295**	7,822
Inventories:		
Raw materials and packaging	**1,798**	1,395
Work-in-process	**275**	200
Finished goods	**2,062**	1,743
	4,135	3,338
Prepaid expenses and other current assets	**925**	747
Total Current Assets	**24,060**	17,645
Property, plant and equipment	**44,116**	43,003
Accumulated depreciation	**(24,390)**	(23,698)
Property, Plant and Equipment, net	**19,726**	19,305
Amortizable Intangible Assets, net	**1,515**	1,433
Goodwill	**18,603**	15,501
Other indefinite-lived intangible assets	**17,671**	14,610
Indefinite-Lived Intangible Assets	**36,274**	30,111
Investments in Noncontrolled Affiliates	**2,752**	2,683
Deferred Income Taxes	**4,357**	4,359
Other Assets	**3,357**	3,011
Total Assets	**$ 92,041**	$ 78,547
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt obligations	**$ 6,692**	$ 2,920
Accounts payable and other current liabilities	**19,317**	17,541
Total Current Liabilities	**26,009**	20,461
Long-Term Debt Obligations	**37,879**	29,148
Deferred Income Taxes	**4,217**	4,091
Other Liabilities	**10,341**	9,979
Total Liabilities	**78,446**	63,679
Commitments and contingencies		
PepsiCo Common Shareholders' Equity		
Common stock, par value $1^{2}/_{3}$¢ per share (authorized 3,600 shares; issued, net of repurchased common stock at par value: 1,383 and 1,391 shares, respectively)	**23**	23
Capital in excess of par value	**3,848**	3,886
Retained earnings	**63,013**	61,946
Accumulated other comprehensive loss	**(15,357)**	(14,300)
Repurchased common stock, in excess of par value (484 and 476 shares, respectively)	**(38,044)**	(36,769)
Total PepsiCo Common Shareholders' Equity	**13,483**	14,786
Noncontrolling interests	**112**	82
Total Equity	**13,595**	14,868
Total Liabilities and Equity	**$ 92,041**	$ 78,547

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

(in millions, except per share amounts, unaudited)

	12 Weeks Ended				36 Weeks Ended			
	9/5/2020		9/7/2019		9/5/2020		9/7/2019	
	Shares	**Amount**	Shares	Amount	**Shares**	**Amount**	Shares	Amount
Common Stock								
Balance, beginning of period	**1,385**	**$ 23**	1,399	$ 23	**1,391**	**$ 23**	1,409	$ 23
Change in repurchased common stock	**(2)**	**—**	(3)	—	**(8)**	**—**	(13)	—
Balance, end of period	**1,383**	**23**	1,396	23	**1,383**	**23**	1,396	23
Capital in Excess of Par Value								
Balance, beginning of period		**3,772**		3,796		**3,886**		3,953
Share-based compensation expense		**85**		51		**186**		170
Stock option exercises, RSUs and PSUs converted		**(2)**		(5)		**(138)**		(181)
Withholding tax on RSUs and PSUs converted		**(7)**		—		**(86)**		(100)
Balance, end of period		**3,848**		3,842		**3,848**		3,842
Retained Earnings								
Balance, beginning of period		**62,145**		60,752		**61,946**		59,947
Cumulative effect of accounting changes		**—**		—		**(34)**		8
Net income attributable to PepsiCo		**2,291**		2,100		**5,275**		5,548
Cash dividends declared – common [(a)]		**(1,423)**		(1,338)		**(4,174)**		(3,989)
Balance, end of period		**63,013**		61,514		**63,013**		61,514
Accumulated Other Comprehensive Loss								
Balance, beginning of period		**(15,778)**		(14,984)		**(14,300)**		(15,119)
Other comprehensive income/(loss) attributable to PepsiCo		**421**		(142)		**(1,057)**		(7)
Balance, end of period		**(15,357)**		(15,126)		**(15,357)**		(15,126)
Repurchased Common Stock								
Balance, beginning of period	**(482)**	**(37,671)**	(468)	(35,635)	**(476)**	**(36,769)**	(458)	(34,286)
Share repurchases	**(3)**	**(400)**	(4)	(551)	**(12)**	**(1,559)**	(19)	(2,301)
Stock option exercises, RSUs and PSUs converted	**1**	**27**	1	62	**4**	**284**	6	463
Balance, end of period	**(484)**	**(38,044)**	(471)	(36,124)	**(484)**	**(38,044)**	(471)	(36,124)
Total PepsiCo Common Shareholders' Equity		**13,483**		14,129		**13,483**		14,129
Noncontrolling Interests								
Balance, beginning of period		**96**		85		**82**		84
Net income attributable to noncontrolling interest		**16**		10		**41**		27
Distributions to noncontrolling interests		**—**		—		**(15)**		(15)
Acquisitions		**—**		—		**5**		—
Other, net		**—**		—		**(1)**		(1)
Balance, end of period		**112**		95		**112**		95
Total Equity		**$ 13,595**		$ 14,224		**$ 13,595**		$ 14,224

(a) Cash dividends declared per common share were $1.0225 and $0.955 for the 12 weeks ended September 5, 2020 and September 7, 2019, respectively, and $3.00 and $2.8375 for the 36 weeks ended September 5, 2020 and September 7, 2019, respectively.

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation and Our Divisions

Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information and with the rules and regulations for reporting the Quarterly Report on Form 10-Q (Form 10-Q). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet at December 28, 2019 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 (2019 Form 10-K), as modified to reflect the adoption of the recently issued accounting pronouncement disclosed in Note 2 in this Form 10-Q. This report should be read in conjunction with our 2019 Form 10-K. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 and 36 weeks ended September 5, 2020 are not necessarily indicative of the results expected for any future period or the full year.

Preparation of our condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and related disclosures. The business and economic uncertainty resulting from the novel coronavirus (COVID-19) pandemic has made such estimates and assumptions more difficult to calculate. Accordingly, actual results and outcomes could differ from those estimates.

While our financial results in the United States and Canada (North America) are reported on a 12-week basis, substantially all of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our results for the 12 weeks ended September 5, 2020, and the months of January through August are reflected in our results for the 36 weeks ended September 5, 2020.

Our significant interim accounting policies include the recognition of a pro rata share of certain estimated annual sales incentives and certain advertising and marketing costs in proportion to revenue or volume, as applicable, and the recognition of income taxes using an estimated annual effective tax rate. Raw materials, direct labor and plant overhead, as well as purchasing and receiving costs, costs directly related to production planning, inspection costs and raw materials handling facilities, are included in cost of sales. The costs of moving, storing and delivering finished product, including merchandising activities, are included in selling, general and administrative expenses.

Unless otherwise noted, tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Certain reclassifications were made to the prior year’s financial statements to conform to the current year presentation.

Our Divisions

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

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

1) Frito-Lay North America (FLNA), which includes our branded food and snack businesses in the United States and Canada;
2) Quaker Foods North America (QFNA), which includes our cereal, rice, pasta and other branded food businesses in the United States and Canada;
3) PepsiCo Beverages North America (PBNA), which includes our beverage businesses in the United States and Canada;
4) Latin America (LatAm), which includes all of our beverage, food and snack businesses in Latin America;
5) Europe, which includes all of our beverage, food and snack businesses in Europe;
6) Africa, Middle East and South Asia (AMESA), which includes all of our beverage, food and snack businesses in Africa, the Middle East and South Asia; and
7) Asia Pacific, Australia and New Zealand and China region (APAC), which includes all of our beverage, food and snack businesses in Asia Pacific, Australia and New Zealand, and China region.

Net revenue of each division is as follows:

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
FLNA	**$ 4,399**	$ 4,105	**$ 12,746**	$ 11,930
QFNA	**608**	576	**1,906**	1,710
PBNA	**5,958**	5,643	**15,766**	15,475
LatAm	**1,654**	1,904	**4,531**	5,031
Europe	**3,323**	3,222	**7,887**	7,842
AMESA [(a)]	**1,252**	957	**2,866**	2,533
APAC	**897**	781	**2,215**	2,000
Total	**$ 18,091**	$ 17,188	**$ 47,917**	$ 46,521

(a) The increase in net revenue primarily reflects our acquisition of Pioneer Food Group Ltd. (Pioneer Foods). See Note 12 for further information.

Our primary performance obligation is the distribution and sales of beverage, food and snack products to our customers. The following tables reflect the approximate percentage of net revenue generated between our beverage business and our food and snack business for each of our international divisions, as well as our consolidated net revenue:

	12 Weeks Ended			
	9/5/2020		9/7/2019	
	Beverage[(a)]	**Food/Snack**	Beverage[(a)]	Food/Snack
LatAm	**10 %**	**90 %**	10 %	90 %
Europe	**55 %**	**45 %**	55 %	45 %
AMESA [(b)]	**30 %**	**70 %**	45 %	55 %
APAC	**25 %**	**75 %**	30 %	70 %
PepsiCo	**45 %**	**55 %**	50 %	50 %

	36 Weeks Ended			
	9/5/2020		9/7/2019	
	Beverage[(a)]	**Food/Snack**	Beverage[(a)]	Food/Snack
LatAm	**10 %**	**90 %**	10 %	90 %
Europe	**55 %**	**45 %**	55 %	45 %
AMESA [(b)]	**35 %**	**65 %**	45 %	55 %
APAC	**25 %**	**75 %**	25 %	75 %
PepsiCo	**45 %**	**55 %**	45 %	55 %

(a) Beverage revenue from company-owned bottlers, which primarily includes our consolidated bottling operations in our PBNA and Europe segments, is approximately 40% of our consolidated net revenue. Generally, our finished goods beverage operations produce higher net revenue, but lower operating margins as compared to concentrate sold to authorized bottling partners for the manufacture of finished goods beverages.

(b) The increase in the approximate percentage of net revenue generated by the food/snack business primarily reflects our acquisition of Pioneer Foods. See Note 12 for further information.

Operating profit of each division is as follows:

	12 Weeks Ended		**36 Weeks Ended**	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
FLNA	**$ 1,353**	$ 1,286	**$ 3,833**	$ 3,694
QFNA	**145**	126	**491**	391
PBNA	**697**	640	**1,391**	1,719
LatAm	**250**	277	**700**	785
Europe	**480**	455	**977**	909
AMESA	**193**	210	**386**	551
APAC	**163**	166	**494**	388
Total division	**$ 3,281**	$ 3,160	**$ 8,272**	$ 8,437
Corporate unallocated expenses	**(270)**	(305)	**(1,018)**	(845)
Total	**$ 3,011**	$ 2,855	**$ 7,254**	$ 7,592

Operating profit in the 12 and 36 weeks ended September 5, 2020 includes certain pre-tax charges taken as a result of the COVID-19 pandemic. These pre-tax charges by division are as follows:

	12 Weeks Ended 9/5/2020						
	Allowances for Expected Credit Losses[(a)]	Upfront Payments to Customers[(b)]	Inventory Write-Downs and Product Returns[(c)]	Employee Compensation Expense[(d)]	Employee Protection Costs[(e)]	Other[(f)]	Total
FLNA	$ —	$ —	$ 1	$ 24	$ 16	$ —	$ 41
QFNA	—	—	—	1	1	1	3
PBNA	3	—	1	14	12	20	50
LatAm	—	—	6	19	6	1	32
Europe	1	1	—	8	6	—	16
AMESA	—	—	—	1	2	3	6
APAC [(g)]	—	—	2	(5)	1	1	(1)
Total	$ 4	$ 1	$ 10	$ 62	$ 44	$ 26	$ 147

	36 Weeks Ended 9/5/2020						
	Allowances for Expected Credit Losses[(a)]	Upfront Payments to Customers[(b)]	Inventory Write-Downs and Product Returns[(c)]	Employee Compensation Expense[(d)]	Employee Protection Costs[(e)]	Other[(f)]	Total
FLNA	$ 19	$ —	$ 8	$ 124	$ 49	$ 3	$ 203
QFNA	2	—	—	7	2	1	12
PBNA	48	46	30	98	43	30	295
LatAm	1	—	12	35	14	4	66
Europe	5	2	10	17	14	17	65
AMESA	1	—	1	8	6	7	23
APAC [(g)]	—	—	3	(3)	2	2	4
Total	$ 76	$ 48	$ 64	$ 286	$ 130	$ 64	$ 668

(a) Allowances reflect the expected impact of the global economic uncertainty caused by COVID-19, leveraging estimates of credit worthiness, default and recovery rates for certain of our customers, including foodservice and vending businesses.
(b) Upfront payments relate to promotional spending for which benefit is not expected to be received.
(c) Includes a reserve for product returns of $3 million and $19 million in the 12 and 36 weeks ended September 5, 2020, respectively.
(d) Includes incremental frontline incentive pay, crisis child care and other leave benefits and labor costs.
(e) Includes costs associated with personal protective equipment, temperature scans, cleaning and other sanitization services.
(f) Includes write-downs of property, plant and equipment, donations of cash and product, and other costs.
(g) Income amounts include a social welfare relief credit of $7 million in the 12 and 36 weeks ended September 5, 2020.

Note 2 - Recently Issued Accounting Pronouncements

Adopted

In 2016, the Financial Accounting Standards Board (FASB) issued guidance that changes the impairment model used to measure credit losses for most financial assets. For our trade receivables, certain other receivables and certain other financial instruments, we are required to use a new forward-looking expected credit loss model that replaced the existing incurred credit loss model. The new model generally results in earlier recognition of allowances for credit losses. We adopted this guidance in the first quarter of 2020 and the adoption did not have a material impact on our condensed consolidated financial statements or disclosures. On initial recognition, we recorded an after-tax cumulative effect decrease to retained earnings of $34 million ($44 million pre-tax) as of the beginning of 2020.

Not Yet Adopted

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

Note 3 - Restructuring and Impairment Charges

2019 Multi-Year Productivity Plan

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

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

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

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

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Cost of sales	**$ 1**	$ 10	**$ 4**	$ 100
Selling, general and administrative expenses	**59**	83	**112**	182
Other pension and retiree medical benefits expense	**1**	5	**8**	—
Total restructuring and impairment charges	**$ 61**	$ 98	**$ 124**	$ 282
After-tax amount	**$ 48**	$ 82	**$ 101**	$ 225
Net income attributable to PepsiCo per common share	**$ 0.03**	$ 0.06	**$ 0.07**	$ 0.16

	12 Weeks Ended		36 Weeks Ended		Plan to Date
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**through 9/5/2020**
FLNA	**$ 2**	$ 16	**$ 9**	$ 22	**$ 62**
QFNA	**—**	2	**1**	2	**8**
PBNA	**29**	26	**32**	42	**123**
LatAm	**5**	22	**14**	43	**85**
Europe	**13**	15	**29**	74	**134**
AMESA	**2**	5	**9**	21	**50**
APAC	**1**	4	**4**	41	**53**
Corporate	**8**	3	**18**	37	**72**
	60	93	**116**	282	**587**
Other pension and retiree medical benefits expense	**1**	5	**8**	—	**45**
Total	**$ 61**	$ 98	**$ 124**	$ 282	**$ 632**

	12 Weeks Ended		36 Weeks Ended		Plan to Date
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**through 9/5/2020**
Severance and other employee costs	**$ 23**	$ 65	**$ 47**	$ 105	**$ 333**
Asset impairments	**15**	3	**20**	87	**112**
Other costs [(a)]	**23**	30	**57**	90	**187**
Total	**$ 61**	$ 98	**$ 124**	$ 282	**$ 632**

(a) Includes other costs associated with the implementation of our initiatives, including contract termination costs, consulting and other professional fees.

A summary of our 2019 Productivity Plan activity for the 36 weeks ended September 5, 2020 is as follows:

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 28, 2019	$ 128	$ —	$ 21	$ 149
2020 restructuring charges	47	20	57	124
Cash payments [(a)]	(92)	—	(74)	(166)
Non-cash charges and translation	(10)	(20)	4	(26)
Liability as of September 5, 2020	**$ 73**	**$ —**	**$ 8**	**$ 81**

(a) Excludes cash expenditures of $1 million reported in the cash flow statement in pension and retiree medical contributions.

Substantially all of the restructuring accrual at September 5, 2020 is expected to be paid by the end of 2020.

Other Productivity Initiatives

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

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

Note 4 - Intangible Assets

A summary of our amortizable intangible assets is as follows:

	9/5/2020			12/28/2019		
	Gross	**Accumulated Amortization**	**Net**	Gross	Accumulated Amortization	Net
Acquired franchise rights	**$ 845**	**$ (167)**	**$ 678**	$ 846	$ (158)	$ 688
Reacquired franchise rights	**106**	**(106)**	**—**	106	(105)	1
Brands	**1,317**	**(1,082)**	**235**	1,326	(1,066)	260
Other identifiable intangibles [(a)]	**941**	**(339)**	**602**	810	(326)	484
Total	**$ 3,209**	**$ (1,694)**	**$ 1,515**	$ 3,088	$ (1,655)	$ 1,433

(a) The change in other identifiable intangibles primarily reflects our acquisitions of Pioneer Foods and Hangzhou Haomusi Food Co., Ltd. (Be & Cheery).

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

	Balance 12/28/2019	Acquisitions	Translation and Other	Balance 9/5/2020
FLNA [(a)]				
Goodwill	$ 299	$ 163	$ —	**$ 462**
Brands	162	179	(1)	**340**
Total	461	342	(1)	**802**
QFNA				
Goodwill	189	—	—	**189**
Brands	11	—	—	**11**
Total	200	—	—	**200**
PBNA [(b)]				
Goodwill	9,898	2,241	—	**12,139**
Reacquired franchise rights	7,089	—	—	**7,089**
Acquired franchise rights	1,517	142	—	**1,659**
Brands [(c)]	763	2,400	(41)	**3,122**
Total	19,267	4,783	(41)	**24,009**
LatAm				
Goodwill	501	—	(57)	**444**
Brands	125	—	(21)	**104**
Total	626	—	(78)	**548**
Europe [(d)]				
Goodwill	3,961	16	(175)	**3,802**
Reacquired franchise rights	505	—	(10)	**495**
Acquired franchise rights	157	—	10	**167**
Brands	4,181	—	(135)	**4,046**
Total	8,804	16	(310)	**8,510**
AMESA [(e)]				
Goodwill	446	521	24	**991**
Brands	—	208	11	**219**
Total	446	729	35	**1,210**
APAC [(f)]				
Goodwill	207	357	12	**576**
Brands	100	307	12	**419**
Total	307	664	24	**995**
Total goodwill	15,501	3,298	(196)	**18,603**
Total reacquired franchise rights	7,594	—	(10)	**7,584**
Total acquired franchise rights	1,674	142	10	**1,826**
Total brands	5,342	3,094	(175)	**8,261**
Total	$ 30,111	$ 6,534	$ (371)	**$ 36,274**

(a) The change in acquisitions primarily reflects our acquisition of BFY Brands, Inc. (BFY Brands).
(b) The change in acquisitions primarily reflects our acquisition of Rockstar Energy Beverages (Rockstar).
(c) In the 12 and 36 weeks ended September 5, 2020, we recorded an impairment charge of $41 million related to a coconut water brand.
(d) The change in translation and other primarily reflects the depreciation of the Russian ruble.
(e) The change in acquisitions primarily reflects our acquisition of Pioneer Foods.
(f) The change in acquisitions primarily reflects our acquisition of Be & Cheery.

Note 5 - Income Taxes

Tax Cuts and Jobs Act

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

There were no tax amounts recognized in the 36 weeks ended September 5, 2020 related to the TCJ Act. In the 36 weeks ended September 7, 2019, we recognized tax benefits of $29 million ($0.02 per share) related to the TCJ Act.

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

Other Tax Matters

On May 19, 2019, a public referendum held in Switzerland passed the Federal Act on Tax Reform and AHV Financing (TRAF), effective January 1, 2020. In the 12 and 36 weeks ended September 5, 2020, we recorded net tax benefits of $77 million primarily related to the adoption of the TRAF in the Swiss Canton of Bern in the third quarter of 2020. In the 12 and 36 weeks ended September 7, 2019, we recorded net tax benefits of $45 million and $33 million, respectively, related to the TRAF. While the accounting for the impacts of the TRAF are deemed to be complete, further adjustments to our financial statements and related disclosures could be made in future quarters, including in connection with final tax return filings.

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

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020 in the United States. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act and estimated income tax payments that we are deferring to future periods. Estimated federal income tax payments and mandatory transition tax payments under the TCJ Act were made in the third quarter of 2020 and are no longer deferred. Additionally, we expect to pay the previously deferred payroll taxes in the fourth quarter of 2020. We do not currently expect the CARES Act to have a material impact on our financial results, including on our annual estimated effective tax rate or on our liquidity. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results.

Note 6 - Share-Based Compensation

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

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Share-based compensation expense - equity awards	**$ 85**	$ 51	**$ 186**	$ 169
Share-based compensation expense - liability awards	**3**	3	**10**	7
Restructuring charges	**—**	—	**—**	1
Total [(a)]	**$ 88**	$ 54	**$ 196**	$ 177

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

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

	36 Weeks Ended			
	9/5/2020		9/7/2019	
	Granted[(a)]	**Weighted-Average Grant Price**	Granted[(a)]	Weighted-Average Grant Price
Stock options	**1.8**	**$ 131.45**	1.2	$ 117.21
RSUs and PSUs	**2.5**	**$ 131.18**	2.8	$ 116.05

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

For the 12 weeks ended September 5, 2020 and September 7, 2019, our grants of stock options, RSUs, PSUs and long-term cash awards were nominal.

We granted long-term cash awards to certain executive officers and other senior executives with an aggregate target value of $19 million and $16 million during the 36 weeks ended September 5, 2020 and September 7, 2019, respectively.

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

	36 Weeks Ended	
	9/5/2020	9/7/2019
Expected life	**6 years**	5 years
Risk-free interest rate	**0.9 %**	2.5 %
Expected volatility	**14 %**	14 %
Expected dividend yield	**3.4 %**	3.1 %

Note 7 - Pension and Retiree Medical Benefits

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

	12 Weeks Ended					
	Pension				**Retiree Medical**	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**9/5/2020**	9/7/2019
	U.S.		**International**			
Service cost	**$ 100**	$ 87	**$ 22**	$ 18	**$ 6**	$ 5
Other pension and retiree medical benefits expense/(income):						
Interest cost	**100**	125	**21**	24	**6**	9
Expected return on plan assets	**(214)**	(205)	**(52)**	(46)	**(3)**	(4)
Amortization of prior service cost/(credits)	**3**	2	**—**	—	**(3)**	(4)
Amortization of net losses/(gains)	**45**	37	**16**	8	**(6)**	(7)
Settlement losses	**—**	15	**—**	3	**—**	—
Special termination benefits	**1**	5	**—**	—	**—**	—
Total other pension and retiree medical benefits income	**(65)**	(21)	**(15)**	(11)	**(6)**	(6)
Total	**$ 35**	$ 66	**$ 7**	$ 7	**$ —**	$ (1)

	36 Weeks Ended					
	Pension				Retiree Medical	
	U.S.		International			
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**9/5/2020**	9/7/2019
Service cost	**$ 300**	$ 263	**$ 59**	$ 49	**$ 17**	$ 16
Other pension and retiree medical benefits expense/(income):						
Interest cost	**300**	376	**58**	64	**17**	25
Expected return on plan assets	**(643)**	(617)	**(138)**	(124)	**(11)**	(12)
Amortization of prior service cost/(credits)	**8**	7	**—**	—	**(8)**	(13)
Amortization of net losses/(gains)	**136**	111	**42**	21	**(16)**	(19)
Settlement losses	**—**	15	**—**	3	**—**	—
Special termination benefits	**8**	—	**—**	—	**—**	—
Total other pension and retiree medical benefits income	**(191)**	(108)	**(38)**	(36)	**(18)**	(19)
Total	**$ 109**	$ 155	**$ 21**	$ 13	**$ (1)**	$ (3)

We continue to monitor the impact of the COVID-19 pandemic and related global economic conditions and uncertainty on the net unfunded status of our pension and retiree medical plans. We also regularly evaluate opportunities to reduce risk and volatility associated with our pension and retiree medical plans. In addition, lump sum payments may result in settlement charges that would be reflected as an item affecting comparability in future periods. During the 36 weeks ended September 5, 2020, we made discretionary contributions of $325 million to the PepsiCo Employees Retirement Plan A (Plan A) in the United States and $14 million to our international plans. During the 36 weeks ended September 7, 2019, we made discretionary contributions of $150 million to Plan A in the United States and $17 million to our international plans.

Note 8 - Debt Obligations

In the 36 weeks ended September 5, 2020, we issued the following senior notes:

Interest Rate	Maturity Date	Amount[a]
2.250 %	March 2025	$ 1,500
2.625 %	March 2027	$ 500
2.750 %	March 2030	$ 1,500
3.500 %	March 2040	$ 750
3.625 %	March 2050	$ 1,500
3.875 %	March 2060	$ 750
0.750 %	May 2023	$ 1,000
1.625 %	May 2030	$ 1,000
0.250 %	May 2024	€ 1,000
0.500 %	May 2028	€ 1,000

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

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

In the 36 weeks ended September 5, 2020, $750 million of senior notes matured and were paid.

As of September 5, 2020, we had $2.1 billion of commercial paper outstanding.

In the second quarter of 2020, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires on May 31, 2021. The 364-Day Credit Agreement enables us and our borrowing subsidiaries to borrow up to $3.75 billion in U.S. dollars and/or euros, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to $4.5 billion in U.S. dollars and/or euros. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which term loan would mature no later than the anniversary of the then effective termination date. The 364-Day Credit Agreement replaced our $3.75 billion 364-day credit agreement, dated as of June 3, 2019. Funds borrowed under the 364-Day Credit Agreement may be used for general corporate purposes. Subject to certain conditions, we may borrow, prepay and reborrow amounts under this agreement. The 364-Day Credit Agreement is in addition to our existing $3.75 billion unsecured revolving credit agreement which expires on June 3, 2024 (Five-Year Credit Agreement). As of September 5, 2020, there were no outstanding borrowings under either the 364-Day Credit Agreement or the Five-Year Credit Agreement.

On March 12, 2020, one of our international consolidated subsidiaries borrowed 21.7 billion South African rand, or approximately $1.3 billion, from our two unsecured bridge loan facilities (Bridge Loan Facilities) to fund our acquisition of Pioneer Foods. These borrowings were fully repaid in April 2020 and no further borrowings under these Bridge Loan Facilities are permitted.

In the fourth quarter of 2020, we paid $1.1 billion to redeem all $1.1 billion outstanding principal amount of our 2.15% senior notes due October 2020 and terminated associated interest rate swaps with a notional amount of $0.8 billion.

Note 9 - Financial Instruments

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

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

There have been no material changes during the 36 weeks ended September 5, 2020 with respect to our risk management policies or strategies and valuation techniques used in measuring the fair value of the financial assets or liabilities disclosed in Note 9 to our consolidated financial statements in our 2019 Form 10-K.

Certain of our agreements with our counterparties require us to post full collateral on derivative instruments in a net liability position if our credit rating is at A2 (Moody’s Investors Service, Inc.) or A (S&P Global Ratings) and we have been placed on credit watch for possible downgrade or if our credit rating falls below these levels. The fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of September 5, 2020 was $376 million. We have posted no collateral under these contracts and no credit-risk-related contingent features were triggered as of September 5, 2020.

The notional amounts of our financial instruments used to hedge the above risks as of September 5, 2020 and December 28, 2019 are as follows:

	Notional Amounts[(a)]	
	9/5/2020	12/28/2019
Commodity	**$ 1.0**	$ 1.1
Foreign exchange	**$ 2.0**	$ 1.9
Interest rate	**$ 4.2**	$ 5.0
Net investment [(b)]	**$ 2.6**	$ 2.5

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

As of September 5, 2020, approximately 10% of total debt, after the impact of the related interest rate derivative instruments, was subject to variable rates, compared to approximately 9% as of December 28, 2019.

Fair Value Measurements

The fair values of our financial assets and liabilities as of September 5, 2020 and December 28, 2019 are categorized as follows:

		9/5/2020		12/28/2019	
	Fair Value Hierarchy Levels	**Assets[(a)]**	**Liabilities[(a)]**	Assets[(a)]	Liabilities[(a)]
Short-term investments:					
Index funds [(b)]	**1**	**$ 211**	**$ —**	$ 229	$ —
Time deposits [(c)]	**2**	**400**	**—**	—	—
		$ 611	**$ —**	$ 229	$ —
Prepaid forward contracts [(d)]	**2**	**$ 17**	**$ —**	$ 17	$ —
Deferred compensation [(e)]	**2**	**$ —**	**$ 449**	$ —	$ 468
Contingent consideration [(f)]	**3**	**$ —**	**$ 874**	**$ —**	**$ —**
Derivatives designated as fair value hedging instruments:					
Interest rate [(g)]	**2**	**$ 4**	**$ —**	$ —	$ 5
Derivatives designated as cash flow hedging instruments:					
Foreign exchange [(h)]	**2**	**$ 21**	**$ 41**	$ 5	$ 32
Interest rate [(h)]	**2**	**—**	**366**	—	390
Commodity [(i)]	**1**	**—**	**—**	2	5
Commodity [(j)]	**2**	**8**	**6**	2	5
		$ 29	**$ 413**	$ 9	$ 432
Derivatives not designated as hedging instruments:					
Foreign exchange [(h)]	**2**	**$ 26**	**$ 3**	$ 3	$ 2
Commodity [(i)]	**1**	**—**	**—**	23	7
Commodity [(j)]	**2**	**11**	**24**	6	24
		$ 37	**$ 27**	$ 32	$ 33
Total derivatives at fair value [(k)]		**$ 70**	**$ 440**	$ 41	$ 470
Total		**$ 698**	**$ 1,763**	$ 287	$ 938

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

(b) Based on the price of index funds. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.
(c) Time deposits classified as short-term investments approximate fair value due to their short-term maturity.
(d) Based primarily on the price of our common stock.
(e) Based on the fair value of investments corresponding to employees' investment elections.
(f) In connection with our acquisition of Rockstar, we recorded a liability for tax-related contingent consideration payable over up to 15 years, with an option to accelerate all remaining payments, with estimated maximum payments of approximately $1.1 billion, using current tax rates. The fair value of the liability is estimated using probability-weighted, discounted future cash flows at current tax rates. The significant unobservable inputs (Level 3) used to estimate the fair value include the expected future tax benefits associated with the acquisition, the probability that the option to accelerate all remaining payments will be exercised and discount rates. The expected annual future tax benefits range from approximately $40 million to $100 million, with an average of $70 million. The probability, in any given year, that the option to accelerate will be exercised ranges from 0 to 10 percent, with a weighted-average payment period of approximately 7 years. The discount rates range from less than 1 percent to 5 percent, with a weighted average of 2 percent. The contingent consideration measured at fair value using unobservable inputs as of September 5, 2020 is $874 million, comprised of an $848 million liability recognized at the acquisition date of Rockstar and a fair value increase of $10 million and $26 million in the 12 and 36 weeks ended September 5, 2020, respectively, recorded in selling, general and administrative expenses.
(g) Based on London Interbank Offered Rate forward rates. As of September 5, 2020 and December 28, 2019, the carrying amount of hedged fixed-rate debt was $1.5 billion and $2.2 billion, respectively, and classified on our balance sheet within short-term and long-term debt obligations. As of September 5, 2020 and December 28, 2019, the cumulative amount of fair value hedging adjustments to hedged fixed-rate debt was a $4 million gain and a $5 million loss, respectively. As of September 5, 2020 and December 28, 2019, the cumulative amount of fair value hedging adjustments on discontinued hedges was a $28 million loss and a $49 million loss, respectively, which is being amortized over the remaining life of the related debt obligations.
(h) Based on recently reported market transactions of spot and forward rates.
(i) Based on quoted contract prices on futures exchange markets.
(j) Based on recently reported market transactions of swap arrangements.
(k) Derivative assets and liabilities are presented on a gross basis on our balance sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on the balance sheet as of September 5, 2020 and December 28, 2019 were not material. Collateral received or posted against our asset or liability positions was not material. Collateral posted of $61 million and $58 million as of September 5, 2020 and December 28, 2019, respectively, is classified as restricted cash.

The carrying amounts of our cash and cash equivalents approximate fair value due to their short-term maturity. The fair value of our debt obligations as of September 5, 2020 and December 28, 2019 was $50 billion and $34 billion, respectively, based upon prices of similar instruments in the marketplace, which are considered Level 2 inputs.

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

	12 Weeks Ended					
	Fair Value/Non-designated Hedges		Cash Flow and Net Investment Hedges			
	Losses/(Gains) Recognized in Income Statement[(a)]		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[(b)]	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**9/5/2020**	9/7/2019
Foreign exchange	**$ (10)**	$ 11	**$ 31**	$ (2)	**$ (22)**	$ 4
Interest rate	**4**	(12)	**(117)**	65	**(102)**	38
Commodity	**(37)**	27	**(29)**	32	**24**	1
Net investment	**—**	—	**118**	(40)	**—**	—
Total	**$ (43)**	$ 26	**$ 3**	$ 55	**$ (100)**	$ 43

	36 Weeks Ended					
	Fair Value/Non-designated Hedges		Cash Flow and Net Investment Hedges			
	Losses/(Gains) Recognized in Income Statement[(a)]		Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss		Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement[(b)]	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**9/5/2020**	9/7/2019
Foreign exchange	**$ (11)**	$ 15	**$ (47)**	$ 16	**$ (37)**	$ —
Interest rate	**(8)**	(62)	**(24)**	117	**(73)**	54
Commodity	**120**	16	**48**	19	**40**	3
Net investment	**—**	—	**159**	(55)	**—**	—
Total	**$ 101**	$ (31)	**$ 136**	$ 97	**$ (70)**	$ 57

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

Based on current market conditions, we expect to reclassify net losses of $46 million related to our cash flow hedges from accumulated other comprehensive loss into net income during the next 12 months.

Note 10 - Net Income Attributable to PepsiCo per Common Share

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

	12 Weeks Ended			
	9/5/2020		9/7/2019	
	Income	**Shares[(a)]**	Income	Shares[(a)]
Basic net income attributable to PepsiCo per common share	**$ 1.66**		$ 1.50	
Net income available for PepsiCo common shareholders	**$ 2,291**	**1,384**	$ 2,100	1,397
Dilutive securities:				
Stock options, RSUs, PSUs and other [(b)]	**—**	**6**	—	8
Diluted	**$ 2,291**	**1,390**	$ 2,100	1,405
Diluted net income attributable to PepsiCo per common share	**$ 1.65**		$ 1.49	

	36 Weeks Ended			
	9/5/2020		9/7/2019	
	Income	**Shares[(a)]**	Income	Shares[(a)]
Basic net income attributable to PepsiCo per common share	**$ 3.80**		$ 3.96	
Net income available for PepsiCo common shareholders	**$ 5,275**	**1,387**	$ 5,548	1,401
Dilutive securities:				
Stock options, RSUs, PSUs and other [(b)]	**—**	**6**	—	8
Diluted	**$ 5,275**	**1,393**	$ 5,548	1,409
Diluted net income attributable to PepsiCo per common share	**$ 3.79**		$ 3.94	

(a) Weighted-average common shares outstanding (in millions).
(b) The dilutive effect of these securities is calculated using the treasury stock method.

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

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Out-of-the-money options [(a)]	**0.1**	—	**0.6**	0.4
Average exercise price per option	**$ 137.25**	$ —	**$ 131.76**	$ 115.98

(a) In millions.

Note 11 - Accumulated Other Comprehensive Loss Attributable to PepsiCo

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

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 28, 2019 [(a)]	$ (11,290)	$ (3)	$ (2,988)	$ (19)	$ (14,300)
Other comprehensive (loss)/income before reclassifications [(b)]	(735)	(236)	21	1	(949)
Amounts reclassified from accumulated other comprehensive loss	—	157	50	—	207
Net other comprehensive (loss)/income	(735)	(79)	71	1	(742)
Tax amounts	(19)	18	(14)	—	(15)
Balance as of March 21, 2020 [(a)]	$ (12,044)	$ (64)	$ (2,931)	$ (18)	$ (15,057)
Other comprehensive (loss)/income before reclassifications [(c)]	(827)	144	25	(1)	(659)
Amounts reclassified from accumulated other comprehensive loss	—	(127)	57	—	(70)
Net other comprehensive (loss)/income	(827)	17	82	(1)	(729)
Tax amounts	31	(4)	(19)	—	8
Balance as of June 13, 2020 [(a)]	$ (12,840)	$ (51)	$ (2,868)	$ (19)	$ (15,778)
Other comprehensive (loss)/income before reclassifications [(d)]	385	115	(59)	(3)	438
Amounts reclassified from accumulated other comprehensive loss	—	(100)	55	—	(45)
Net other comprehensive (loss)/income	385	15	(4)	(3)	393
Tax amounts	29	(4)	3	—	28
Balance as of September 5, 2020 [(a)]	**$ (12,426)**	**$ (40)**	**$ (2,869)**	**$ (22)**	**$ (15,357)**

(a) Pension and retiree medical amounts are net of taxes of $1,370 million as of December 28, 2019, $1,356 million as of March 21, 2020, $1,337 million as of June 13, 2020 and $1,340 million as of September 5, 2020.
(b) Currency translation adjustment primarily reflects depreciation of the Russian ruble, Canadian dollar and Mexican peso.
(c) Currency translation adjustment primarily reflects depreciation of the Mexican peso, Russian ruble and euro.
(d) Currency translation adjustment primarily reflects appreciation of the Pound sterling, Canadian dollar and Australian dollar, partially offset by the depreciation of the Russian ruble.

	Currency Translation Adjustment	Cash Flow Hedges	Pension and Retiree Medical	Other	Accumulated Other Comprehensive Loss Attributable to PepsiCo
Balance as of December 29, 2018 [(a)]	$ (11,918)	$ 87	$ (3,271)	$ (17)	$ (15,119)
Other comprehensive (loss)/income before reclassifications [(b)]	475	(20)	(16)	—	439
Amounts reclassified from accumulated other comprehensive loss	—	(15)	34	—	19
Net other comprehensive (loss)/income	475	(35)	18	—	458
Tax amounts	(2)	8	(1)	—	5
Balance as of March 23, 2019 [(a)]	$ (11,445)	$ 60	$ (3,254)	$ (17)	$ (14,656)
Other comprehensive (loss)/income before reclassifications [(c)]	(365)	(37)	16	1	(385)
Amounts reclassified from accumulated other comprehensive loss	—	29	37	—	66
Net other comprehensive (loss)/income	(365)	(8)	53	1	(319)
Tax amounts	—	2	(11)	—	(9)
Balance as of June 15, 2019 [(a)]	$ (11,810)	$ 54	$ (3,212)	$ (16)	$ (14,984)
Other comprehensive (loss)/income before reclassifications [(d)]	(149)	(95)	19	(1)	(226)
Amounts reclassified from accumulated other comprehensive loss	—	43	54	—	97
Net other comprehensive (loss)/income	(149)	(52)	73	(1)	(129)
Tax amounts	(10)	14	(17)	—	(13)
Balance as of September 7, 2019 [(a)]	$ (11,969)	$ 16	$ (3,156)	$ (17)	$ (15,126)

(a) Pension and retiree medical amounts are net of taxes of $1,466 million as of December 29, 2018, $1,465 million as of March 23, 2019 and $1,454 million as of June 15, 2019 and $1,437 million as of September 7, 2019.
(b) Currency translation adjustment primarily reflects appreciation of the Russian ruble, Mexican peso and Pound sterling.
(c) Currency translation adjustment primarily reflects depreciation of the euro, Mexican peso and Swiss franc.
(d) Currency translation adjustment primarily reflects depreciation of the Pound sterling, Russian ruble and Mexican peso.

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

	12 Weeks Ended		36 Weeks Ended		
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**Affected Line Item in the Income Statement**
Cash flow hedges:					
Foreign exchange contracts	**$ —**	$ —	**$ —**	$ 1	Net revenue
Foreign exchange contracts	**(22)**	4	**(37)**	(1)	Cost of sales
Interest rate derivatives	**(102)**	38	**(73)**	54	Net interest expense and other
Commodity contracts	**22**	—	**36**	2	Cost of sales
Commodity contracts	**2**	1	**4**	1	Selling, general and administrative expenses
Net (gains)/losses before tax	**(100)**	43	**(70)**	57	
Tax amounts	**25**	(11)	**17**	(13)	
Net (gains)/losses after tax	**$ (75)**	$ 32	**$ (53)**	$ 44	
Pension and retiree medical items:					
Amortization of prior service credits	**$ —**	$ (2)	**$ —**	$ (6)	Other pension and retiree medical benefits income
Amortization of net losses	**55**	38	**162**	113	Other pension and retiree medical benefits income
Settlement losses	**—**	18	**—**	18	Other pension and retiree medical benefits income
Net losses before tax	**55**	54	**162**	125	
Tax amounts	**(12)**	(12)	**(34)**	(27)	
Net losses after tax	**$ 43**	$ 42	**$ 128**	$ 98	
Total net (gains)/losses reclassified, net of tax	**$ (32)**	$ 74	**$ 75**	$ 142	

Note 12 - Acquisitions and Divestitures

Acquisition of Pioneer Food Group Ltd.

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

We accounted for the transaction as a business combination. We recognized and measured the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition, in our AMESA segment. The assets acquired and liabilities assumed in Pioneer Foods as of the acquisition date, which primarily include goodwill and other intangible assets of $0.8 billion and property, plant and equipment of $0.4 billion, are based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the second quarter of 2021.

In connection with our acquisition of Pioneer Foods, we have made certain commitments to the South Africa Competition Commission, including a commitment to provide the equivalent of 7.7 billion South African rand, or approximately $0.5 billion as of the end of the third quarter of 2020, in value for the benefit of our employees, agricultural development, education, developing Pioneer Foods' operations and enterprise development programs in South Africa. Included in this commitment is 2.2 billion South

African rand, or approximately $0.1 billion, relating to the implementation of an employee ownership plan and an agricultural, entrepreneurship and educational development fund, which is an irrevocable condition of the acquisition and will primarily be settled within the twelve-month period from the acquisition date. This was recorded in selling, general and administrative expenses in the 36 weeks ended September 5, 2020. The remaining commitment of 5.5 billion South African rand, or approximately $0.3 billion, relates to capital expenditures and/or business-related costs which will be incurred and recorded over a five-year period from the acquisition date.

Acquisition of Rockstar Energy Beverages

On April 24, 2020, we acquired Rockstar, an energy drink maker with whom we had a distribution agreement, for an upfront cash payment of approximately $3.85 billion and contingent consideration related to estimated future tax benefits associated with the acquisition of approximately $0.85 billion. See Note 9 for further information about the contingent consideration. The purchase price will also be adjusted for net working capital amounts as of the acquisition date compared to targeted amounts set forth in the acquisition agreement.

We accounted for the transaction as a business combination. We recognized and measured the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition, primarily in our PBNA segment. The assets acquired and liabilities assumed in Rockstar as of the acquisition date, which primarily include goodwill and other intangible assets of $4.6 billion, are based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the second quarter of 2021.

In addition to our acquisition of Rockstar, as part of our overall energy strategy, we entered into an agreement with Vital Pharmaceuticals, Inc. in the second quarter of 2020 for us and our bottlers to exclusively distribute Bang Energy drinks in the United States.

Acquisition of Hangzhou Haomusi Food Co., Ltd.

On June 1, 2020, we acquired all of the outstanding shares of Be & Cheery, one of the largest online snacks companies in China, from Haoxiangni Health Food Co., Ltd. for cash. The total consideration transferred was approximately $0.7 billion. The purchase price will be adjusted for net working capital amounts as of the acquisition date compared to targeted amounts set forth in the acquisition agreement.

We accounted for the transaction as a business combination. We recognized and measured the identifiable assets acquired and liabilities assumed at their estimated fair values on the date of acquisition, in our APAC segment. The assets acquired and liabilities assumed in Be & Cheery as of the acquisition date, which primarily include goodwill and other intangible assets of $0.7 billion, are based on preliminary estimates that are subject to revisions and may result in adjustments to preliminary values as valuations are finalized. We expect to finalize these amounts as soon as possible, but no later than the third quarter of 2021.

Acquisition of SodaStream International Ltd. (SodaStream)

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

Inventory Fair Value Adjustments and Merger and Integration Charges

A summary of our inventory fair value adjustments and merger and integration charges is as follows:

	12 Weeks Ended		36 Weeks Ended	
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019
Cost of sales	**$ 11**	$ —	**$ 30**	$ 34
Selling, general and administrative expenses	**32**	7	**256**	12
Total	**$ 43**	$ 7	**$ 286**	$ 46
After-tax amount	**$ 27**	$ 6	**$ 254**	$ 38
Net income attributable to PepsiCo per common share	**$ 0.02**	$ —	**$ 0.18**	$ 0.03

Inventory fair value adjustments and merger and integration charges include fair value adjustments to the acquired inventory included in the acquisition-date balance sheets (recorded in cost of sales) and closing costs, employee-related costs, changes in the fair value of contingent consideration and contract termination costs (recorded in selling, general and administrative expenses). Merger and integration charges also include liabilities to support socioeconomic programs in South Africa (recorded in selling, general and administrative expenses). Inventory fair value adjustments and merger and integration charges by division are as follows:

	12 Weeks Ended		36 Weeks Ended		
	9/5/2020	9/7/2019	**9/5/2020**	9/7/2019	**Acquisition**
FLNA	**$ 1**	$ —	**$ 26**	$ —	BFY Brands
PBNA	**17**	—	**60**	—	Rockstar
Europe	**—**	5	**—**	43	SodaStream
AMESA	**10**	2	**169**	2	Pioneer Foods
APAC	**5**	—	**5**	—	Be & Cheery
Corporate	**10**	—	**26**	1	Rockstar, SodaStream
Total	**$ 43**	$ 7	**$ 286**	$ 46	

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

FINANCIAL REVIEW

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

Our Critical Accounting Policies

The critical accounting policies below should be read in conjunction with those outlined in our 2019 Form 10-K.

Total Marketplace Spending

We offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue. A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year, as products are delivered, for the expected payout, which may occur after year-end once reconciled and settled.

These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer and consumer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also based on annual targets and recognized during the year as incurred.

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

Income Taxes

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

Our Business Risks

This Form 10-Q contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "expressed confidence," "forecast," "future," "goal," "guidance," "intend," "may," "objective," "outlook," "plan," "position," "potential," "project," "seek," "should," "strategy," "target," "will" or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. Such risks and uncertainties include, but are not limited to: the impact of the spread of COVID-19; future demand for PepsiCo's products, as a result of changes in consumer preferences or otherwise; changes in laws related to the use or disposal of plastics or other packaging of PepsiCo's products; changes in, or failure to comply with, applicable laws and regulations; imposition or proposed imposition of new or increased taxes aimed at PepsiCo's products; imposition of labeling or warning requirements on PepsiCo's products; PepsiCo's ability to compete effectively; failure to realize anticipated benefits from PepsiCo's productivity or reinvestment initiatives or operating model; political conditions, civil unrest or other developments and risks in the markets where PepsiCo's products are made, manufactured, distributed or sold; PepsiCo's ability to grow its business in developing and emerging markets; uncertain or unfavorable economic conditions in the countries in which PepsiCo operates; the ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption; increased costs, disruption of supply or shortages of raw materials and other supplies; water scarcity; business disruptions; product contamination or tampering or issues or concerns *with respect to product quality, safety and integrity; damage to PepsiCo's reputation or brand image; failure to successfully complete, integrate or manage acquisitions and joint ventures into PepsiCo's existing operations or to complete or manage divestitures or refranchisings; changes in estimates and underlying assumptions regarding future performance that can result in an impairment charge; increase in income tax rates, changes in income tax laws, including as a result of enactment and implementation of the TRAF, or disagreements with tax authorities; PepsiCo's ability to recruit, hire or retain key employees or a highly skilled and diverse workforce; loss of, or a significant reduction in sales to, any key customer; disruption to the retail landscape, including rapid growth in e-commerce channel and hard discounters; any downgrade or potential downgrade of PepsiCo's credit ratings; PepsiCo's ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates; climate change or legal, regulatory or market measures to address climate change; failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages; failure to adequately protect our intellectual property rights or infringement of intellectual property rights of others; potential liabilities and costs from litigation, claims, legal or regulatory proceedings, inquiries or investigations; and other factors that may adversely affect the price of PepsiCo's publicly traded securities and financial performance including those described in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our 2019 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" and "Item 1A. Risk Factors" of this Form 10-Q. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.*

COVID-19

Our global operations continue to expose us to risks associated with the COVID-19 pandemic, which continues to result in challenging operating environments and has affected almost all of the more than 200 countries and territories in which our products are made, manufactured, distributed or sold. Authorities in many of these markets have implemented numerous and varying measures to stall the spread and ameliorate the impact of COVID-19, including travel bans and restrictions, quarantines, curfews, restrictions on public gatherings, shelter in place and safer-at-home orders, business shutdowns and closures, and have also implemented multi-step policies with the goal of re-opening these markets. These measures have impacted and will continue to impact us, our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties with whom we do business. The countries and territories in which our products are made, manufactured, distributed or sold continue to operate in varying stages of restrictions and re-opening to address the COVID-19 pandemic. While some of these restrictions have been lifted or eased in certain jurisdictions, other jurisdictions have seen increases in new COVID-19 cases resulting in restrictions being reinstated, or new restrictions imposed in these jurisdictions. There continues to be considerable uncertainty regarding how current and future health and safety measures implemented in response to the pandemic will impact our business, including whether they will result in further changes in demand for our products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs, operating costs or otherwise), how they will further impact our supply chain and whether they will result in further reduced availability of air or other commercial transport, port closures or border restrictions, each or all of which can impact our ability to make, manufacture, distribute and sell our products. To date, we have experienced employee absenteeism which has resulted in reduced manufacturing capacity at certain of our facilities and we have incurred increased costs as a result of COVID-19, including increased employee costs, such as expanded benefits and frontline incentives, and other operating costs, such as costs associated with the provision of personal protective equipment and increased sanitation, allowances for credit losses, upfront payment write-offs and inventory write-offs, which have negatively impacted and may continue to negatively impact our profitability. In addition, measures that impact our ability to access our offices (some of which remain closed), plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers (including our foodservice customers), consumers, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties to do the same, may continue to impact the availability of our and their employees, many of whom are not able to perform their job functions remotely. We continue to implement safety protocols at our facilities, including temperature checks, health screening, providing personal protective equipment, increased sanitation, requiring the use of masks and facilitating social distancing in work and dining spaces, and have been working and will continue to work closely with our business partners on contingency planning in an effort to maintain supply. To date, we have not experienced a material disruption to our operations or supply chain, although we can reasonably envision that possibility.

Public concern regarding the risk of contracting COVID-19 has impacted and may continue to impact demand from consumers, including due to consumers not leaving their homes or leaving their homes less often than they did prior to the start of the pandemic or otherwise shopping and consuming food and beverage products in a different manner than they historically have or because some of our consumers have lower discretionary income due to unemployment or reduced or limited work as a result of measures taken in response to the pandemic. Changes in consumer demand as a result of COVID-19 continue to vary in scope and timing by jurisdiction as we sell a wide variety of beverages, foods and snacks and the amount of revenue attributable to such products varies across these markets. Even as governmental restrictions continue to be relaxed and economies gradually, partially, or fully reopen in certain of these markets, the ongoing economic impacts and health concerns associated with the pandemic may continue to affect consumer behavior, spending levels and shopping and consumption preferences. In addition, as a result of COVID-19, certain jurisdictions, such as certain states in Mexico, have enacted or are considering enacting new or expanded product labeling or warning requirements or limitations on the marketing or sale of certain of our products as a result of ingredients or substances contained in such products. Changes in consumer purchasing and consumption patterns may increase demand for our products in one quarter, resulting in decreased consumer demand for our products in subsequent quarters, or in one sales channel resulting in potentially reduced profit from sales of our products. We continue to see shifts in product and channel preferences as markets move through varying stages of restrictions and re-opening at different times, including changes in at-home consumption, in immediate consumption and away-from-home channels, such as convenience and gas and foodservice. In addition, we continue to see a rapid increase in demand in the e-commerce and online-to-offline channels and any failure to capitalize on this demand could adversely affect our ability to maintain and grow sales or category share and erode our competitive position.

Any reduced demand for our products or change in consumer purchasing and consumption patterns, as well as continued economic uncertainty, can adversely affect our customers' and business partners' financial condition, which can result in an inability to pay for our products, reduced or canceled orders of our products, continued or additional closing of restaurants, stores, entertainment or sports complexes, schools or other venues in which our products are sold, or reduced capacity at any of the foregoing, or our business partners' inability to supply us with ingredients or other items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition have also resulted and may continue to result in our recording additional impairment charges for our inability to recover or collect any accounts receivable, owned or leased assets, including certain foodservice and vending and other equipment, or prepaid expenses. In addition, continued economic uncertainty associated with the COVID-19 pandemic has resulted in volatility in the global capital and credit markets which can impair our ability to access these markets on terms commercially acceptable to us, or at all.

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

Coronavirus Aid, Relief, and Economic Security Act

The CARES Act was enacted on March 27, 2020 in the United States. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act and estimated income tax payments that we are deferring to future periods. Estimated federal income tax payments and mandatory transition tax payments under the TCJ Act were made in the third quarter of 2020 and are no longer deferred. Additionally, we expect to pay the previously deferred payroll taxes in the fourth quarter of 2020. We do not currently expect the CARES Act to have a material impact on our financial results, including on our annual estimated effective tax rate or on our liquidity. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results.

Refer to the COVID-19 discussion above and Note 5 to our condensed consolidated financial statements for further information.

Risks Associated with International Operations

In the 12 weeks ended September 5, 2020, substantially all of our financial results outside of North America reflect the months of June, July and August. In the 36 weeks ended September 5, 2020, substantially all of our financial results outside of North America reflect the months of January through August. In the 36 weeks ended September 5, 2020, our operations outside of the United States generated 40% of our consolidated net revenue, with Brazil, Canada, China, Mexico, Russia and the United Kingdom comprising approximately 20% of our consolidated net revenue. As a result, we are exposed to foreign exchange risk in the international markets in which our products are made, manufactured, distributed or sold. In each of the 12 and 36 weeks ended September 5, 2020, unfavorable foreign exchange reduced net revenue growth by 2 percentage points, primarily due to declines in the Mexican peso, Brazilian real and Russian ruble. Currency declines against the U.S. dollar which are not offset could adversely impact our future financial results.

In addition, volatile economic, political and social conditions and civil unrest in certain markets in which our products are made, manufactured, distributed or sold, including in Argentina, Brazil, China, Mexico, the Middle East, Russia and Turkey and currency controls or fluctuations in certain of these international markets, continue to, and the threat or imposition of tariffs in or related to these international markets may, result in challenging operating environments.

We continue to monitor the economic and political developments related to the United Kingdom's withdrawal from the European Union, including how the United Kingdom will interact with other European Union countries following its departure, as well as the economic, operating and political environment in Russia and the potential impact for the Europe segment and our other businesses.

See Note 9 to our condensed consolidated financial statements in this Form 10-Q for the fair values of our financial instruments as of September 5, 2020 and December 28, 2019 and Note 9 to our consolidated financial statements in our 2019 Form 10-K for a discussion of these items. Cautionary statements included above and in "Item 1A. Risk Factors" in this Form 10-Q, and in "Item 1A. Risk Factors" and in

"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" in our 2019 Form 10-K should be considered when evaluating our trends and future results.

Imposition of Taxes and Regulations on our Products

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

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

Tax Cuts and Jobs Act

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

Other Tax Matters

On May 19, 2019, a public referendum held in Switzerland passed the TRAF, effective January 1, 2020. In the 12 and 36 weeks ended September 5, 2020, we recorded net tax benefits of $77 million primarily related to the adoption of the TRAF in the Swiss Canton of Bern in the third quarter of 2020. In the 12 and 36 weeks ended September 7, 2019, we recorded net tax benefits of $45 million and $33 million, respectively, related to the TRAF. While the accounting for the impacts of the TRAF are deemed to be complete, further adjustments to our financial statements and related disclosures could be made in future quarters, including in connection with final tax return filings.

See Note 5 to our condensed consolidated financial statements in this Form 10-Q, as well as Note 5 to our consolidated financial statements in our 2019 Form 10-K for further information.

Retail Landscape

Additionally, our industry continues to be affected by disruption of the retail landscape, including the rapid growth in sales through e-commerce websites and mobile commerce applications, including through subscription services, the integration of physical and digital operations among retailers and the international expansion of hard discounters. We have seen and expect to continue to see a further shift to e-commerce, online-to-offline, and other online purchasing by consumers as a result of the COVID-19 pandemic. We continue to monitor changes in the retail landscape and seek to identify actions we may take to build our global e-commerce and digital capabilities, such as expanding our direct-to-consumer business, and distribute our products effectively through all existing and emerging channels of trade and potentially mitigate any unfavorable impacts on our future results.

Results of Operations – Consolidated Review

Consolidated Results

Volume

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

We report substantially all of our international beverage volume on a monthly calendar basis. The 12 weeks ended September 5, 2020 include beverage volume outside of North America for the months of June, July and August. The 36 weeks ended September 5, 2020 include beverage volume outside of North America for the months of January through August.

Our divisions' physical volume measures are converted into servings based on U.S. Food and Drug Administration (FDA) recommended guidelines for single-serving sizes of food and beverage products. The FDA revised the guidelines on recommended serving size for beverage products, effective January 1, 2020. Previously, FDA guidelines recommended a serving size of 8 fluid ounces for all beverages. The revised guidelines recommend a serving size of 8 fluid ounces for beverages that consist of milk, fruit juices, nectars and fruit drinks and 12 fluid ounces for other beverages. No changes were recommended to the serving size of food products. The revised guidelines have been retrospectively applied to our prior-year servings. For the 12 and 36 weeks ended September 5, 2020, total servings increased 13% and 7%, respectively, primarily reflecting the contributions from our recent acquisitions. See Note 12 to our condensed consolidated financial statements for further information.

Consolidated Net Revenue and Operating Profit

	12 Weeks Ended			**36 Weeks Ended**		
	9/5/2020	9/7/2019	**Change**	**9/5/2020**	9/7/2019	**Change**
Net revenue	**$ 18,091**	$ 17,188	**5 %**	**$ 47,917**	$ 46,521	**3 %**
Operating profit	**$ 3,011**	$ 2,855	**5.5 %**	**$ 7,254**	$ 7,592	**(4.5)%**
Operating profit margin	**16.6 %**	16.6 %	**—**	**15.1 %**	16.3 %	**(1.2)**

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

12 Weeks

Operating profit grew 5.5% and operating profit margin was flat. Operating profit growth was primarily driven by productivity savings and net revenue growth, partially offset by certain operating cost increases.

A favorable mark-to-market net impact on commodity derivatives included in "Items Affecting Comparability" contributed 3 percentage points to operating profit growth. Additionally, the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 5 percentage points. See Note 1 to our condensed consolidated financial statements for further information.

36 Weeks

Operating profit decreased 4.5% and operating profit margin decreased 1.2 percentage points. Operating profit performance was primarily driven by certain operating cost increases, partially offset by productivity savings and net revenue growth.

Higher inventory fair value adjustments and merger and integration charges included in "Items Affecting Comparability" negatively impacted operating profit performance by 3 percentage points. Additionally, the charges taken as a result of the COVID-19 pandemic negatively impacted operating profit performance by 8 percentage points. See Note 1 to our condensed consolidated financial statements for further information.

Results of Operations – Division Review

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

While our financial results in North America are reported on a 12-week basis, substantially all of our international operations report on a monthly calendar basis for which the months of June, July and August are reflected in our results for the 12 weeks ended September 5, 2020, and the months of January through August are reflected in our results for the 36 weeks ended September 5, 2020.

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

In the discussions of net revenue and operating profit below, "effective net pricing" reflects the year-over-year impact of discrete pricing actions, sales incentive activities and mix resulting from selling varying products in different package sizes and in different countries, and "net pricing" reflects the year-over-year combined impact of list price changes, weight changes per package, discounts and allowances. Additionally, "acquisitions and divestitures" reflect all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

Net Revenue and Organic Revenue Growth

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

	12 Weeks Ended 9/5/2020					
		Impact of			Impact of	
	Reported % Change, GAAP Measure	Foreign exchange translation	Acquisitions and divestitures	Organic % Change, Non-GAAP Measure[(a)]	Volume[(b)]	Effective net pricing
FLNA	**7 %**	—	(1)	**6 %**	3	4
QFNA	**6 %**	—	—	**6 %**	4	2
PBNA	**6 %**	—	(2.5)	**3 %**	(1.5)	5
LatAm	**(13) %**	14	—	**1 %**	1	—
Europe	**3 %**	3.5	—	**7 %**	5	1
AMESA	**31 %**	2	(35)	**(2) %**	1	(2.5)
APAC	**15 %**	—	(10)	**5 %**	5	—
Total	**5 %**	2	(3)	**4 %**	2	3

	36 Weeks Ended 9/5/2020					
		Impact of			Impact of	
	Reported % Change, GAAP Measure	Foreign exchange translation	Acquisitions and divestitures	Organic % Change, Non-GAAP Measure[(a)]	Volume[(b)]	Effective net pricing
FLNA	**7 %**	—	(0.5)	**7 %**	4	2
QFNA	**11 %**	—	—	**12 %**	13	(1)
PBNA	**2 %**	—	(1.5)	**0.5 %**	(2)	3
LatAm	**(10) %**	12	—	**2 %**	1	2
Europe	**1 %**	4	—	**5 %**	4	1
AMESA	**13 %**	1	(14)	**— %**	(1)	0.5
APAC	**11 %**	2	(4)	**9 %**	6	3
Total	**3 %**	2	(2)	**4 %**	2	2

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

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

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

Operating Profit and Operating Profit Adjusted for Items Affecting Comparability

	12 Weeks Ended 9/5/2020				
		Items Affecting Comparability[a]			
	Reported, GAAP Measure[b]	**Mark-to-market net impact**	**Restructuring and impairment charges**	**Inventory fair value adjustments and merger and integration charges**	**Core, Non-GAAP Measure[b]**
FLNA	**$ 1,353**	$ —	$ 2	$ 1	**$ 1,356**
QFNA	**145**	—	—	—	**145**
PBNA	**697**	—	29	17	**743**
LatAm	**250**	—	5	—	**255**
Europe	**480**	—	13	—	**493**
AMESA	**193**	—	2	10	**205**
APAC	**163**	—	1	5	**169**
Corporate unallocated expenses	**(270)**	(71)	8	10	**(323)**
Total	**$ 3,011**	$ (71)	$ 60	$ 43	**$ 3,043**

	12 Weeks Ended 9/7/2019				
		Items Affecting Comparability[a]			
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core, Non-GAAP Measure
FLNA	$ 1,286	$ —	$ 16	$ —	$ 1,302
QFNA	126	—	2	—	128
PBNA	640	—	26	—	666
LatAm	277	—	22	—	299
Europe	455	—	15	5	475
AMESA	210	—	5	2	217
APAC	166	—	4	—	170
Corporate unallocated expenses	(305)	4	3	—	(298)
Total	$ 2,855	$ 4	$ 93	$ 7	$ 2,959

	36 Weeks Ended 9/5/2020				
		Items Affecting Comparability[(a)]			
	Reported, GAAP Measure[(b)]	**Mark-to-market net impact**	**Restructuring and impairment charges**	**Inventory fair value adjustments and merger and integration charges**	**Core, Non-GAAP Measure[(b)]**
FLNA	**$ 3,833**	$ —	$ 9	$ 26	**$ 3,868**
QFNA	**491**	—	1	—	**492**
PBNA	**1,391**	—	32	60	**1,483**
LatAm	**700**	—	14	—	**714**
Europe	**977**	—	29	—	**1,006**
AMESA	**386**	—	9	169	**564**
APAC	**494**	—	4	5	**503**
Corporate unallocated expenses	**(1,018)**	26	18	26	**(948)**
Total	**$ 7,254**	$ 26	$ 116	$ 286	**$ 7,682**

	36 Weeks Ended 9/7/2019				
		Items Affecting Comparability[(a)]			
	Reported, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core, Non-GAAP Measure
FLNA	$ 3,694	$ —	$ 22	$ —	$ 3,716
QFNA	391	—	2	—	393
PBNA	1,719	—	42	—	1,761
LatAm	785	—	43	—	828
Europe	909	—	74	43	1,026
AMESA	551	—	21	2	574
APAC	388	—	41	—	429
Corporate unallocated expenses	(845)	(50)	37	1	(857)
Total	$ 7,592	$ (50)	$ 282	$ 46	$ 7,870

(a) See “Items Affecting Comparability.”
(b) Operating profit for the 12 and 36 weeks ended September 5, 2020 includes the charges taken as a result of the COVID-19 pandemic. See Note 1 to our condensed consolidated financial statements for further information.

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

	12 Weeks Ended 9/5/2020						
		Impact of Items Affecting Comparability[a]				Impact of	
	Reported % Change, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core % Change, Non-GAAP Measure[b]	Foreign exchange translation	Core Constant Currency % Change, Non-GAAP Measure[b]
FLNA	**5 %**	—	(1)	—	**4 %**	—	**4 %**
QFNA	**15 %**	—	(2)	—	**14 %**	—	**14 %**
PBNA	**9 %**	—	—	2	**11 %**	—	**12 %**
LatAm	**(10) %**	—	(5)	—	**(15) %**	15	**0.5 %**
Europe	**5 %**	—	—	(1)	**4 %**	4.5	**8 %**
AMESA	**(9) %**	—	(2)	5	**(6) %**	1	**(5) %**
APAC	**(1.5) %**	—	(2)	3	**— %**	(0.5)	**(1) %**
Corporate unallocated expenses	**(12) %**	25	(2)	(3)	**8 %**	—	**8 %**
Total	**5.5 %**	(3)	(1)	1	**3 %**	2	**5 %**

	36 Weeks Ended 9/5/2020						
		Impact of Items Affecting Comparability[a]				Impact of	
	Reported % Change, GAAP Measure	Mark-to-market net impact	Restructuring and impairment charges	Inventory fair value adjustments and merger and integration charges	Core % Change, Non-GAAP Measure[b]	Foreign exchange translation	Core Constant Currency % Change, Non-GAAP Measure[b]
FLNA	**4 %**	—	—	1	**4 %**	—	**4 %**
QFNA	**26 %**	—	—	—	**25 %**	—	**25 %**
PBNA	**(19) %**	—	(1)	4	**(16) %**	—	**(16) %**
LatAm	**(11) %**	—	(3)	—	**(14) %**	12	**(2) %**
Europe	**7 %**	—	(5)	(5)	**(2) %**	5	**3 %**
AMESA	**(30) %**	—	(2)	30	**(2) %**	—	**(2) %**
APAC	**27 %**	—	(12)	2	**17 %**	1	**19 %**
Corporate unallocated expenses	**20 %**	(9)	2	(3)	**11 %**	—	**11 %**
Total	**(4.5) %**	1	(2)	3	**(2) %**	2	**— %**

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

FLNA

12 Weeks

Net revenue grew 7% and volume grew 3%. The net revenue growth was primarily driven by effective net pricing and volume growth. The volume growth primarily reflects double-digit growth in variety packs and dips, high-single-digit growth in trademark Tostitos and mid-single-digit growth in trademark Ruffles, partially offset by a low-single-digit decline in trademark Lay's and a mid-single-digit decline in trademark Fritos.

Operating profit increased 5%, primarily reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases and higher advertising and marketing expenses. Additionally, the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 3 percentage points.

36 Weeks

Net revenue grew 7% and volume grew 4%. The net revenue growth was primarily driven by volume growth and effective net pricing. The volume growth primarily reflects double-digit growth in variety packs, dips and trademark Tostitos, partially offset by a double-digit decline in nuts and seeds and a low-single-digit decline in trademark Lay's.

Operating profit grew 4%, primarily reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases. Additionally, the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 5.5 percentage points.

QFNA

12 Weeks

Net revenue increased 6% and volume increased 4%. The net revenue growth reflects volume growth, favorable net pricing and favorable mix. The volume growth was driven by double-digit growth in rice/pasta and lite snacks and mid-single-digit growth in oatmeal, partially offset by a mid-single-digit decline in bars. The COVID-19 pandemic drove an increase in consumer demand, which had a positive impact on both net revenue and volume growth.

Operating profit grew 15%, reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases and higher advertising and marketing expenses. Additionally, the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 2.5 percentage points.

36 Weeks

Net revenue increased 11% and volume increased 13%. The net revenue growth reflects volume growth and favorable net pricing, partially offset by unfavorable mix. The volume growth was driven by double-digit growth in oatmeal, Aunt Jemima syrup and mix, and ready-to-eat cereals. The COVID-19 pandemic drove an increase in consumer demand, which had a positive impact on both net revenue and volume growth.

Operating profit grew 26%, reflecting the net revenue growth and productivity savings, partially offset by certain operating cost increases and higher advertising and marketing expenses. Additionally, the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 3 percentage points.

PBNA

12 Weeks

Net revenue increased 6%, driven by effective net pricing, partially offset by a decrease in volume. Volume decreased slightly, driven by a 3% decrease in carbonated soft drink (CSD) volume largely offset by a 3% increase in non-carbonated beverage (NCB) volume. The NCB volume increase primarily reflected a mid-single-digit increase in Gatorade sports drinks and a double-digit increase in our energy portfolio, partially offset by a low-single-digit decrease in our overall water portfolio. In addition, acquisitions contributed 2.5 percentage points to net revenue growth.

Operating profit increased 9%, primarily reflecting the effective net pricing, productivity savings, lower advertising and marketing expenses and a 4-percentage-point impact of lower commodity costs, partially offset by certain operating cost increases, including incremental information technology costs, the volume decrease and an 8-percentage-point impact of the charges taken as a result of the COVID-19 pandemic. Impairment charges associated with a coconut water brand and a prior-year gain associated with an insurance recovery reduced operating profit growth by 5 percentage points and 4.5 percentage points, respectively. In addition, acquisitions contributed 6 percentage points to operating profit growth.

36 Weeks

Net revenue increased 2%, driven by effective net pricing, largely offset by a decrease in volume. Volume decreased 2%, driven by a 5% decrease in CSDs, partially offset by a 2% increase in NCB volume. The NCB volume increase primarily reflected a mid-single-digit increase in Gatorade sports drinks, a double-digit increase in our energy portfolio, and a low-single-digit increase in our overall water portfolio, partially offset by a mid-single-digit decrease in our juice and juice drinks portfolio and a low-single-digit decrease in Lipton ready-to-drink teas. In addition, acquisitions contributed 1.5 percentage points to net revenue growth.

Operating profit decreased 19%, reflecting certain operating cost increases, including incremental information technology costs, a 17-percentage-point impact of the charges taken as a result of the COVID-19 pandemic and the volume decrease. These impacts were partially offset by productivity savings, the effective net pricing, lower advertising and marketing expenses and a 4-percentage-point impact of lower commodity costs. Impairment charges associated with a coconut water brand, a prior-year gain associated with a sale of an asset, and a prior-year gain associated with an insurance recovery each negatively impacted operating profit performance by 2 percentage points. In addition, acquisitions positively contributed 3 percentage points to operating profit performance.

LatAm

12 Weeks

Net revenue decreased 13%, primarily reflecting a 14-percentage-point impact of unfavorable foreign exchange, partially offset by net volume growth.

Snacks volume grew 2%, reflecting double-digit growth in Brazil, partially offset by a low-single-digit decline in Mexico.

Beverage volume declined 7%, reflecting double-digit declines in Colombia and Argentina, a high-single-digit decline in Honduras and mid-single-digit declines in Guatemala and Mexico, partially offset by low-single-digit growth in Brazil. The COVID-19 pandemic contributed to a decrease in consumer demand, which had a negative impact on volume performance.

Operating profit decreased 10%, reflecting certain operating cost increases and a 7-percentage-point impact of higher commodity costs, largely due to transaction-related foreign exchange, partially offset by productivity savings and a 5-percentage-point impact of lower restructuring and impairment charges. A current-year insurance settlement recovery related to a production facility fire in Mexico in 2018 positively contributed 6 percentage points to operating profit performance. Additionally, unfavorable foreign exchange and the charges taken as a result of the COVID-19 pandemic negatively impacted operating profit performance by 15 percentage points and 11 percentage points, respectively.

36 Weeks

Net revenue decreased 10%, reflecting a 12-percentage-point impact of unfavorable foreign exchange, partially offset by effective net pricing and net volume growth.

Snacks volume grew 1%, reflecting mid-single-digit growth in Brazil and low-single-digit growth in Mexico.

Beverage volume declined 5%, reflecting double-digit declines in Colombia and Argentina, a mid-single-digit decline in Honduras, and low-single-digit declines in Chile, Guatemala, and Brazil. Additionally, Mexico was even with the prior year. The COVID-19 pandemic contributed to a decrease in consumer demand, which had a negative impact on volume performance.

Operating profit decreased 11%, primarily reflecting certain operating cost increases, a 7-percentage-point impact of higher commodity costs, largely due to transaction-related foreign exchange, and a 4-percentage-point impact of a prior-year insurance settlement recovery related to the 2017 earthquake in Mexico. These impacts were partially offset by productivity savings, the effective net pricing and a 2.5-percentage-point impact of a current-year insurance settlement recovery related to a production facility fire in Mexico in 2018. Additionally, unfavorable foreign exchange and the charges taken as a result of the COVID-19 pandemic negatively impacted operating profit performance by 12 percentage points and 8 percentage points, respectively.

Europe

12 Weeks

Net revenue increased 3%, reflecting volume growth and effective net pricing, partially offset by a 3.5-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 4%, reflecting double-digit growth in France and Turkey, mid-single-digit growth in the United Kingdom and Poland and high-single-digit growth in the Netherlands, partially offset by a low-single-digit decline in Russia and a mid-single-digit decline in Spain.

Beverage volume grew 11%, reflecting double-digit growth in Germany and France, partially offset by a mid-single-digit decline in Turkey and a high-single-digit decline in Poland. Additionally, Russia and the United Kingdom each experienced mid-single-digit growth.

Operating profit increased 5%, primarily reflecting the volume growth and productivity savings, partially offset by certain operating cost increases, higher advertising and marketing expenses and a 2-percentage-point impact of higher commodity costs, largely due to transaction-related foreign exchange. Additionally, unfavorable foreign exchange and the charges taken as a result of the COVID-19 pandemic reduced operating profit growth by 4.5 percentage points and 3.5 percentage points, respectively.

36 Weeks

Net revenue increased 1%, primarily reflecting volume growth, partially offset by a 4-percentage-point impact of unfavorable foreign exchange.

Snacks volume grew 4%, reflecting high-single-digit growth in the United Kingdom, double-digit growth in France and mid-single-digit growth in the Netherlands, partially offset by a slight decline in Russia and a low-single-digit decline in Spain. Additionally, Poland and Turkey each experienced low-single-digit growth.

Beverage volume grew 8%, reflecting double-digit growth in Germany and France, partially offset by a double-digit decline in Poland and a mid-single-digit decline in Turkey. Additionally, Russia experienced slight growth and the United Kingdom experienced mid-single-digit growth.

Operating profit increased 7%, primarily reflecting the volume growth, productivity savings, a 5-percentage-point impact of lower restructuring and impairment charges, a 5-percentage-point impact of the prior-year inventory fair value adjustments and merger and integration charges primarily associated with our SodaStream acquisition and a 3.5-percentage-point impact of a gain on an asset sale. These impacts were partially offset by certain operating cost increases, higher advertising and marketing expenses and unfavorable net pricing. Additionally, the charges taken as a result of the COVID-19 pandemic and unfavorable foreign exchange reduced operating profit growth by 6 percentage points and 5 percentage points, respectively.

AMESA

12 Weeks

Net revenue increased 31%, primarily reflecting a 36-percentage-point impact of the Pioneer Foods acquisition, partially offset by unfavorable net pricing. Net revenue was also negatively impacted by the COVID-19 pandemic.

Snacks volume grew 289%, primarily reflecting a 282-percentage-point impact of the Pioneer Foods acquisition, double-digit growth in Pakistan and high-single-digit growth in India. Additionally, South Africa experienced slight growth and the Middle East experienced mid-single-digit growth.

Beverage volume declined 4%, primarily reflecting a double-digit decline in India, a mid-single-digit decline in Pakistan and a low-single-digit decline in the Middle East, partially offset by mid-single-digit growth in Nigeria. The Pioneer Foods acquisition positively contributed 2 percentage points to beverage volume performance. The COVID-19 pandemic contributed to a decrease in consumer demand, which had a negative impact on volume performance.

Operating profit decreased 9%, primarily reflecting the net volume performance, certain operating cost increases and the unfavorable net pricing, partially offset by productivity savings, lower advertising and marketing expenses and a 3-percentage-point impact of lower commodity costs. The Pioneer Foods acquisition positively contributed 8 percentage points to operating profit performance and was partially offset by the related merger and integration charges, which negatively impacted operating profit performance by 5 percentage points. Additionally, the charges taken as a result of the COVID-19 pandemic negatively impacted operating profit performance by 3 percentage points.

36 Weeks

Net revenue increased 13%, primarily reflecting a 19-percentage-point impact of the Pioneer Foods acquisition, partially offset by a 4-percentage-point impact of the prior-year refranchising of a portion of our beverage business in India. Net revenue was also negatively impacted by the COVID-19 pandemic.

Snacks volume grew 158%, primarily reflecting a 154-percentage-point impact of the Pioneer Foods acquisition, high-single-digit growth in the Middle East and double digit growth in Pakistan, partially offset by a low-single-digit decline in India. Additionally, South Africa experienced low-single-digit growth.

Beverage volume declined 10%, primarily reflecting double-digit declines in India and Pakistan and a low-single-digit decline in the Middle East, partially offset by low-single-digit growth in Nigeria. The COVID-19 pandemic contributed to a decrease in consumer demand, which had a negative impact on volume performance.

Operating profit decreased 30%, reflecting certain operating cost increases and a 2-percentage-point impact of a prior-year gain on the refranchising of a portion of our beverage business in India, partially offset by productivity savings, lower advertising and marketing expenses and a 3-percentage-point impact of lower commodity costs. The merger and integration charges associated with the Pioneer Foods acquisition negatively impacted operating profit performance by 30 percentage points and were partially offset by Pioneer Foods’ 4-percentage-point positive contribution to operating profit performance. Additionally, the charges taken as a result of the COVID-19 pandemic negatively impacted operating profit performance by 4 percentage points.

APAC

12 Weeks

Net revenue increased 15%, primarily reflecting a 10-percentage-point impact of the Be & Cheery acquisition and volume growth.

Snacks volume grew 18%, primarily reflecting an 11-percentage-point impact of the Be & Cheery acquisition and double-digit growth in Australia. Additionally, China, Indonesia and Taiwan each experienced low-single-digit growth and Thailand experienced mid-single-digit growth.

Beverage volume grew 6%, primarily reflecting double-digit growth in China, partially offset by a double-digit decline in the Philippines and a mid-single-digit decline in Vietnam. Additionally, Thailand experienced low-single-digit growth.

Operating profit decreased 1.5%, primarily reflecting higher advertising and marketing expenses, certain operating cost increases and a 3-percentage-point impact of merger and integration charges associated with the Be & Cheery acquisition. These impacts were partially offset by productivity savings and the net revenue growth.

36 Weeks

Net revenue increased 11%, primarily reflecting net volume growth, a 4-percentage-point impact of the Be & Cheery acquisition and effective net pricing.

Snacks volume grew 13%, primarily reflecting a 4-percentage-point impact of the Be & Cheery acquisition and double-digit growth in Indonesia, partially offset by a slight decline in Thailand. Additionally, Taiwan experienced mid-single-digit growth and China and Australia each experienced high-single-digit growth.

Beverage volume declined 1%, primarily reflecting a double-digit decline in the Philippines, and mid-single-digit declines in Thailand and Vietnam, partially offset by mid-single-digit growth in China. The COVID-19 pandemic contributed to a decrease in consumer demand, which had a negative impact on volume performance.

Operating profit increased 27%, primarily reflecting the net revenue growth, productivity savings and a 12-percentage-point impact of lower restructuring and impairment charges, partially offset by certain operating cost increases and higher advertising and marketing expenses.

Other Consolidated Results

	12 Weeks Ended			36 Weeks Ended		
	9/5/2020	9/7/2019	**Change**	**9/5/2020**	9/7/2019	**Change**
Other pension and retiree medical benefits income	**$ 86**	$ 38	**$ 48**	**$ 247**	$ 163	**$ 84**
Net interest expense and other	**$ (264)**	$ (224)	**$ (40)**	**$ (789)**	$ (651)	**$ (138)**
Tax rate	**18.6 %**	21.0 %		**20.8 %**	21.5 %	
Net income attributable to PepsiCo	**$ 2,291**	$ 2,100	**9 %**	**$ 5,275**	$ 5,548	**(5) %**
Net income attributable to PepsiCo per common share – diluted	**$ 1.65**	$ 1.49	**10 %**	**$ 3.79**	$ 3.94	**(4) %**
Mark-to-market net impact	**(0.04)**	—		**0.01**	(0.03)	
Restructuring and impairment charges	**0.03**	0.06		**0.07**	0.16	
Inventory fair value adjustments and merger and integration charges	**0.02**	—		**0.18**	0.03	
Net tax related to the TCJ Act	**—**	—		**—**	(0.02)	
Net income attributable to PepsiCo per common share – diluted, excluding above items [(a)]	**$ 1.66**	$ 1.56 [(b)]	**7 %**	**$ 4.05**	$ 4.07 [(b)]	**(0.5) %**
Impact of foreign exchange translation			**3**			**2**
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis [(a)]			**9 %** [(b)]			**2 %** [(b)]

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

12 Weeks

Other pension and retiree medical benefits income increased $48 million, reflecting the recognition of fixed income gains on plan assets, the impact of approved discretionary plan contributions and higher prior-year settlement losses, partially offset by the decrease in discount rates.

Net interest expense and other increased $40 million, primarily due to higher average debt balances and lower interest rates on cash, partially offset by lower interest rates on debt, higher average cash balances and higher gains on the market value of investments used to economically hedge a portion of our deferred compensation liability.

The reported tax rate decreased 2.4 percentage points, primarily reflecting the net tax benefits related to the TRAF.

Net income attributable to PepsiCo increased 9% and net income attributable to PepsiCo per common share increased 10%. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 4 percentage points to both net income attributable to PepsiCo growth and net income attributable to PepsiCo per common share growth. Additionally, the charges taken as a result of the

COVID-19 pandemic negatively impacted both net income attributable to PepsiCo growth and net income attributable to PepsiCo per common share growth by 5 percentage points.

36 Weeks

Other pension and retiree medical benefits income increased $84 million, reflecting the recognition of fixed income gains on plan assets, the impact of approved discretionary plan contributions and higher prior-year settlement losses, partially offset by the decrease in discount rates.

Net interest expense and other increased $138 million, primarily due to higher average debt balances, lower interest rates on cash, as well as lower gains on the market value of investments used to economically hedge a portion of our deferred compensation liability. These impacts were partially offset by lower interest rates on debt and higher average cash balances.

The reported tax rate decreased 0.7 percentage points, reflecting a prior-year increase in reserves for uncertain tax positions in foreign jurisdictions and the net tax benefits related to the TRAF. These impacts were partially offset by a prior-year tax benefit related to an international restructuring and current-year non-deductible expenses related to an acquisition.

Net income attributable to PepsiCo decreased 5% and net income attributable to PepsiCo per common share decreased 4%. Items affecting comparability (see "Items Affecting Comparability") negatively impacted both net income attributable to PepsiCo performance and net income attributable to PepsiCo per common share performance by 3 percentage points. Additionally, the charges taken as a result of the COVID-19 pandemic negatively impacted both net income attributable to PepsiCo performance and net income attributable to PepsiCo per common share performance by 9 percentage points.

Non-GAAP Measures

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

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

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

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

Cost of sales, gross profit, selling, general and administrative expenses, other pension and retiree medical benefits income, provision for income taxes, net income attributable to noncontrolling interests and net income attributable to PepsiCo, each adjusted for items affecting comparability, operating profit and net income attributable to PepsiCo per common share – diluted, each adjusted for items affecting comparability, and the corresponding constant currency growth rates

These measures exclude the net impact of mark-to-market gains and losses on centrally managed commodity derivatives that do not qualify for hedge accounting, restructuring and impairment charges related to our 2019 Productivity Plan, inventory fair value adjustments and merger and integration charges associated with our acquisitions and net tax related to the TCJ Act (see "Items Affecting Comparability" for a detailed description of each of these items). We also evaluate performance on operating profit, adjusted for items affecting comparability and net income attributable to PepsiCo per common share – diluted, adjusted for items affecting comparability, each on a constant currency basis, which measure our financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current-year U.S. dollar results by the current-year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior-year average foreign exchange rates. We believe these measures provide useful information in evaluating the results of our business because they exclude items that we believe are not indicative of our ongoing performance.

Organic revenue growth

We define organic revenue growth as net revenue growth adjusted for the impact of foreign exchange translation, as well as the impact from acquisitions, divestitures and other structural changes. We believe organic revenue growth provides useful information in evaluating the results of our business because it excludes items that we believe are not indicative of ongoing performance or that we believe impact comparability with the prior year.

See "Net Revenue and Organic Revenue Growth" in "Results of Operations – Division Review" for further information.

Free cash flow

We define free cash flow as net cash provided by operating activities less capital spending, plus sales of property, plant and equipment. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Free cash flow is used by us primarily for acquisitions and financing activities, including debt repayments, dividends and share repurchases. Free cash flow is not a measure of cash available for discretionary expenditures since we have certain non-discretionary obligations such as debt service that are not deducted from the measure.

See "Free Cash Flow" in "Our Liquidity and Capital Resources" for further information.

Items Affecting Comparability

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

	12 Weeks Ended 9/5/2020						
	Cost of sales	**Gross profit**	**Selling, general and administrative expenses**	**Operating profit**	**Other pension and retiree medical benefits income**	**Provision for income taxes[(a)]**	**Net income attributable to PepsiCo**
Reported, GAAP Measure	$ 8,156	$ 9,935	$ 6,924	$ 3,011	$ 86	$ 526	$ 2,291
Items Affecting Comparability							
Mark-to-market net impact	38	(38)	33	(71)	—	(16)	(55)
Restructuring and impairment charges	(1)	1	(59)	60	1	13	48
Inventory fair value adjustments and merger and integration charges	(11)	11	(32)	43	—	16	27
Core, Non-GAAP Measure	**$ 8,182**	**$ 9,909**	**$ 6,866**	**$ 3,043**	**$ 87**	**$ 539**	**$ 2,311**

	12 Weeks Ended 9/7/2019						
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Other pension and retiree medical benefits income	Provision for income taxes[(a)]	Net income attributable to PepsiCo
Reported, GAAP Measure	$ 7,694	$ 9,494	$ 6,639	$ 2,855	$ 38	$ 559	$ 2,100
Items Affecting Comparability							
Mark-to-market net impact	(13)	13	9	4	—	1	3
Restructuring and impairment charges	(10)	10	(83)	93	5	16	82
Inventory fair value adjustments and merger and integration charges	—	—	(7)	7	—	1	6
Core, Non-GAAP Measure	$ 7,671	$ 9,517	$ 6,558	$ 2,959	$ 43	$ 577	$ 2,191

	36 Weeks Ended 9/5/2020						
	Cost of sales	**Gross profit**	**Selling, general and administrative expenses**	**Operating profit**	**Other pension and retiree medical benefits income**	**Provision for income taxes[(a)]**	**Net income attributable to PepsiCo**
Reported, GAAP Measure	$ 21,371	$ 26,546	$ 19,292	$ 7,254	$ 247	$ 1,396	$ 5,275
Items Affecting Comparability							
Mark-to-market net impact	14	(14)	(40)	26	—	8	18
Restructuring and impairment charges	(4)	4	(112)	116	8	23	101
Inventory fair value adjustments and merger and integration charges	(30)	30	(256)	286	—	32	254
Core, Non-GAAP Measure	**$ 21,351**	**$ 26,566**	**$ 18,884**	**$ 7,682**	**$ 255**	**$ 1,459**	**$ 5,648**

	36 Weeks Ended 9/7/2019						
	Cost of sales	Gross profit	Selling, general and administrative expenses	Operating profit	Provision for income taxes[(a)]	Net income attributable to noncontrolling interests	Net income attributable to PepsiCo
Reported, GAAP Measure	$ 20,786	$ 25,735	$ 18,143	$ 7,592	$ 1,529	$ 27	$ 5,548
Items Affecting Comparability							
Mark-to-market net impact	19	(19)	31	(50)	(12)	—	(38)
Restructuring and impairment charges	(100)	100	(182)	282	57	4	221
Inventory fair value adjustments and merger and integration charges	(34)	34	(12)	46	8	—	38
Net tax related to the TCJ Act	—	—	—	—	29	—	(29)
Core, Non-GAAP Measure	$ 20,671	$ 25,850	$ 17,980	$ 7,870	$ 1,611	$ 31	$ 5,740

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

Mark-to-Market Net Impact

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

Restructuring and Impairment Charges

2019 Multi-Year Productivity Plan

In connection with our 2019 Productivity Plan, we expect to incur pre-tax charges of approximately $2.5 billion, of which we have incurred $632 million plan to date through September 5, 2020, and cash expenditures of approximately $1.6 billion, of which we have incurred approximately $428 million plan to date through September 5, 2020. We expect to incur pre-tax charges of approximately $150 million and cash expenditures of approximately $100 million for the remainder of 2020, with the balance to be reflected in our 2021 through 2023 financial results. These charges will be funded primarily through cash from operations. We expect to incur the majority of the remaining pre-tax charges and cash expenditures in our 2021 and 2022 results.

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

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

Inventory Fair Value Adjustments and Merger and Integration Charges

In the 12 and 36 weeks ended September 5, 2020, we recorded inventory fair value adjustments and merger and integration charges of $43 million ($27 million after-tax or $0.02 per share) and $286 million ($254 million after-tax or $0.18 per share), respectively. Inventory fair value adjustments and merger and integration charges include fair value adjustments to the acquired inventory included in the acquisition-date balance sheets, and closing costs, employee-related costs, changes in the fair value of contingent consideration and contract termination costs related to our acquisitions of BFY Brands, Rockstar, Pioneer

Foods and Be & Cheery. Merger and integration charges also include liabilities to support socioeconomic programs in South Africa related to our acquisition of Pioneer Foods.

In the 12 and 36 weeks ended September 7, 2019, we recorded inventory fair value adjustments and merger and integration charges of $7 million ($6 million after-tax with a nominal amount per share) and $46 million ($38 million after-tax or $0.03 per share), respectively. These charges primarily relate to SodaStream's acquired inventory included in the acquisition-date balance sheet, as well as merger and integration charges, including employee-related costs.

See Note 12 to our condensed consolidated financial statements for further information.

Net Tax Related to the TCJ Act

During the fourth quarter of 2017, the TCJ Act was enacted in the United States. We recognized tax benefits of $29 million ($0.02 per share) in the 36 weeks ended September 7, 2019 related to the TCJ Act.

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

Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities, working capital lines and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing needs. Our primary sources of cash available to fund cash outflows, such as our anticipated share repurchases, dividend payments, debt repayments, payments for acquisitions, including the contingent consideration related to Rockstar, and the transition tax liability under the TCJ Act, include cash from operations, proceeds obtained from issuances of commercial paper and long-term debt, and cash and cash equivalents. Our sources and uses of cash were not materially impacted by COVID-19 in the 36 weeks ended September 5, 2020 and, to date, we have not identified any material liquidity deficiencies as a result of the COVID-19 pandemic. Based on the information currently available to us, we do not expect the impact of COVID-19 to have a material impact on our liquidity. We will continue to monitor and assess the impact COVID-19 may have on our business and financial results. See "Item 1A. Risk Factors," "Our Business Risks" and Note 8 to our condensed consolidated financial statements included in this Form 10-Q and "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," as well as Note 8 to our consolidated financial statements included in our 2019 Form 10-K for further information.

As of September 5, 2020, cash, cash equivalents and short-term investments in our consolidated subsidiaries subject to currency controls or currency exchange restrictions were not material.

The TCJ Act imposed a mandatory one-time transition tax on undistributed international earnings. As of September 5, 2020, our mandatory transition tax liability was $3.2 billion, which must be paid through 2026 under the provisions of the TCJ Act. See Note 5 to our condensed consolidated financial statements for further discussion of the TCJ Act.

The CARES Act was enacted on March 27, 2020 in the United States. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the TCJ Act and estimated income tax payments that we are deferring to future periods. Estimated federal income tax payments and mandatory transition tax payments under the TCJ Act were made in the third quarter of 2020 and are no longer deferred. Additionally, we expect to pay the previously deferred payroll taxes in the fourth quarter of 2020. We will continue to monitor and assess the impact the CARES Act and similar legislation in other countries may have on our business and financial results.

Operating Activities

During the 36 weeks ended September 5, 2020, net cash provided by operating activities was $6.1 billion, compared to net cash provided by operating activities of $5.1 billion in the prior-year period. The operating cash flow performance primarily reflects favorable net working capital comparisons to 2019 and lower net cash tax payments in the current year.

Investing Activities

During the 36 weeks ended September 5, 2020, net cash used for investing activities was $8.8 billion, primarily reflecting net cash paid in connection with our acquisitions of RockStar of $3.85 billion, Pioneer Foods of $1.2 billion and Be & Cheery of $0.7 billion, as well as net capital spending of $2.0 billion.

For 2020, we now expect net capital spending to be approximately $4 billion, a reduction from our previously announced net capital spending expectation of approximately $5 billion, in light of the COVID-19 pandemic.

Financing Activities

During the 36 weeks ended September 5, 2020, net cash provided by financing activities was $6.4 billion, primarily reflecting proceeds from issuances of long-term debt of $10.6 billion and net proceeds of short-term borrowings of $2.3 billion, partially offset by the return of operating cash flow to our shareholders through dividend payments and share repurchases of $5.6 billion and payments of long-term debt of $0.8 billion.

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

Free Cash Flow

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

	36 Weeks Ended	
	9/5/2020	9/7/2019
Net cash provided by operating activities, GAAP measure	**$ 6,123**	$ 5,063
Capital spending	**(2,074)**	(1,959)
Sales of property, plant and equipment	**26**	63
Free cash flow, non-GAAP measure	**$ 4,075**	$ 3,167

We use free cash flow primarily for acquisitions and financing activities, including debt repayments, dividends and share repurchases. We expect to continue to return free cash flow to our shareholders through dividends and share repurchases while maintaining Tier 1 commercial paper access, which we believe will facilitate appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. See “Our Business Risks” included in this Form 10-Q and “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks,” included in our 2019 Form 10-K, for certain factors that may impact our credit ratings or our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether or not as a result of our actions or factors which are beyond our control, could increase our future borrowing costs and impair our ability to access capital and credit markets on terms commercially acceptable to us, or at all. In addition, any downgrade of our current short-term credit ratings could impair our ability to access the commercial paper market with the same flexibility that we have experienced historically, and therefore require us to rely more heavily on more expensive types of debt financing. See Note 8 to our condensed consolidated financial statements, “Item 1A. Risk Factors” and “Our Business Risks” included in this Form 10-Q, as well as “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” included in our 2019 Form 10-K for further information.

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Information

We have reviewed the Condensed Consolidated Balance Sheet of PepsiCo, Inc. and subsidiaries (the Company) as of September 5, 2020, the related Condensed Consolidated Statements of Income, Comprehensive Income and Equity for the twelve and thirty-six weeks ended September 5, 2020 and September 7, 2019, the related Condensed Consolidated Statement of Cash Flows for the thirty-six weeks ended September 5, 2020 and September 7, 2019, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheet of the Company as of December 28, 2019, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the year then ended (not presented herein); and in our report dated February 13, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 28, 2019, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

Basis for Review Results

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

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

/s/ KPMG LLP

New York, New York
September 30, 2020

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

See “Item 1A. Risk Factors” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks.” In addition, see “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks” and Note 9 to our consolidated financial statements in our 2019 Form 10-K.

ITEM 4. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during our third quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During our third quarter of 2020, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses. In addition, in connection with our 2019 Productivity Plan, we continue to migrate to shared business service models across our operations to further simplify, harmonize and automate processes. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting. These transitions have not materially affected, and we do not expect them to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

The following information should be read in conjunction with the discussion set forth under Part I, "Item 3. Legal Proceedings" in our 2019 Form 10-K.

We and our subsidiaries are party to a variety of litigation, claims, legal or regulatory proceedings, inquiries and investigations. While the results of such litigation, claims, legal or regulatory proceedings, inquiries and investigations cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. See also "Item 1A. Risk Factors" in this Form 10-Q and "Item 1. Business – Regulatory Matters" and "Item 1A. Risk Factors" in our 2019 Form 10-K.

ITEM 1A. Risk Factors.

The following additional risk factor relating to COVID-19 should be read in conjunction with the risk factors set forth under "Item 1A. Risk Factors" in our 2019 Form 10-K and our Form 10-Qs for the fiscal quarter ended March 21, 2020 (Q1 2020 Form 10-Q) and the fiscal quarter ended June 13, 2020 (Q2 2020 Form 10-Q) . The developments described in this additional risk factor have heightened, or in some cases manifested, certain of the risks disclosed in the risk factor section of our 2019 Form 10-K, and such risk factors are further qualified by the information relating to COVID-19 that is described in this Form 10-Q and our Q1 2020 Form 10-Q and Q2 2020 Form 10-Q, including in the additional risk factor below. Except as described herein and in our Q1 2020 Form 10-Q and Q2 2020 Form 10-Q, there have been no material changes with respect to the risk factors disclosed in our 2019 Form 10-K.

You should carefully consider the risks described below and in our 2019 Form 10-K, Q1 2020 Form 10-Q and Q2 2020 Form 10-Q in addition to the other information set forth in this Form 10-Q, our Q2 2020 Form 10-Q, our Q1 2020 Form 10-Q and in our 2019 Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations sections and the consolidated financial statements and related notes. These risks, some of which have occurred and any of which may occur in the future, can have a material adverse effect on our business, financial condition, results of operations or the prices of our publicly traded securities. The risks described below and in our 2019 Form 10-K, our Q1 2020 Form 10-Q and our Q2 2020 Form 10-Q are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may occur or become material in the future and adversely affect our business, reputation, financial condition, results of operations or the prices of our publicly traded securities. Therefore, historical operating results, financial and business performance, events and trends are often not a reliable indicator of future operating results, financial and business performance, events or trends.

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

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

Our global operations continue to expose us to risks associated with the COVID-19 pandemic, which continues to result in challenging operating environments. COVID-19 continues to spread across the globe to almost all of the countries and territories in which our products are made, manufactured, distributed or sold. Authorities in many of these markets have implemented numerous and varying measures to stall the spread and ameliorate the impact of COVID-19, including travel bans and restrictions, quarantines, curfews, restrictions on public gatherings, shelter in place and safer-at-home orders, business shutdowns and closures, and have also implemented multi-step policies with the goal of re-opening these markets. These measures have impacted and will continue to impact us, our customers (including our foodservice customers), consumers, employees, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties with whom we do business. The countries and territories in which our products are made, manufactured, distributed or sold continue to operate in varying stages of restrictions and re-opening to address the COVID-19 pandemic. While some of these restrictions have been lifted or eased in certain jurisdictions, other jurisdictions have seen increases in new COVID-19 cases resulting in restrictions being reinstated, or new restrictions imposed in these jurisdictions. There continues to be considerable uncertainty regarding how current and future health and safety measures implemented in response to the pandemic will impact our business, including whether they will result in further changes in demand for our products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs, operating costs or otherwise), how they will further impact our supply chain and whether they will result in further reduced availability of air or other commercial transport, port closures or border restrictions, each or all of which can impact our ability to make, manufacture, distribute and sell our products. To date, we have experienced employee absenteeism which has resulted in reduced manufacturing capacity at certain of our facilities and we have incurred increased costs as a result of COVID-19, including increased employee costs, such as expanded benefits and frontline incentives, and other operating costs, such as costs associated with the provision of personal protective equipment and increased sanitation, allowances for credit losses, upfront payment write-offs and inventory write-offs, which have negatively impacted and may continue to negatively impact our profitability. In addition, measures that impact our ability to access our offices (some of which remain closed), plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers (including our foodservice customers), consumers, bottlers, contract manufacturers, distributors, joint venture partners, suppliers and other third parties to do the same, may continue to impact the availability of our and their employees, many of whom are not able to perform their job functions remotely. If a significant percentage of our or our business partners' workforce is unable to work, including because of illness, facility closures, quarantine, curfews, shelter in place orders, travel restrictions, social distancing requirements or other governmental restrictions or voluntarily adopted practices, our operations will be negatively impacted. Any sustained interruption in our or our business partners' operations, distribution network or supply chain or any significant continuous shortage of raw materials or other supplies as a result of these measures, restrictions or disruptions, including as a result of increased demand for certain products, can impair our ability to make, manufacture, distribute or sell our products. Compliance with governmental measures imposed in response to COVID-19 has caused and will continue to cause us to incur additional costs, and any inability to comply with such measures can subject us to restrictions on our business activities, fines, and other penalties, any of which can adversely affect our business. In addition, the increase in certain of our employees working remotely has amplified certain risks to our business, including increased demand on our information technology resources and systems, increased phishing, business email compromise and other cybersecurity attacks, including increased introduction of malware, as cybercriminals try to exploit the uncertainty surrounding the COVID-19 pandemic, and an increase in the number of points of potential attack, such as laptops and mobile devices (both of which are now being used in increased numbers), to be secured, and any failure to effectively manage these risks, including to timely identify and appropriately respond to any cyberattacks or other disruption to our technology infrastructure, may adversely affect our business.

Public concern regarding the risk of contracting COVID-19 has impacted and may continue to impact demand from consumers, including due to consumers not leaving their homes or leaving their homes less often than they did prior to the start of the pandemic or otherwise shopping and consuming food and beverage products in a different manner than they historically have or because some of our consumers have lower discretionary income due to unemployment or reduced or limited work as a result of measures taken in response to the pandemic. Changes in consumer demand as a result of COVID-19 continue to vary in scope and timing by jurisdiction as we sell a wide variety of beverages, foods and snacks, and the amount of revenue attributable to such products varies across these markets. Even as governmental restrictions continue to be relaxed and economies gradually partially or fully reopen in certain of these markets, the ongoing economic impacts and health concerns associated with the pandemic may continue to affect consumer behavior, spending levels and shopping and consumption preferences. In addition, as a result of COVID-19, certain jurisdictions, such as certain states in Mexico, have enacted or are considering enacting new or expanded product labeling or warning requirements or limitations on the marketing or sale of certain of our products as a result of ingredients or substances contained in such products. Changes in consumer purchasing and consumption patterns may increase demand for our products in one quarter, resulting in decreased consumer demand for our products in subsequent quarters, or in one sales channel resulting in potentially reduced profit from sales of our products. We continue to see shifts in product and channel preferences as markets move through varying stages of restrictions and re-opening at different times, including changes in at-home consumption, in immediate consumption and away-from-home channels, such as convenience and gas and foodservice. In addition, we continue to see a rapid increase in demand in the e-commerce and online-to-offline channels and any failure to capitalize on this demand could adversely affect our ability to maintain and grow sales or category share and erode our competitive position.

Any reduced demand for our products or change in consumer purchasing and consumption patterns, as well as continued economic uncertainty, can adversely affect our customers' and business partners' financial condition, which can result in an inability to pay for our products, reduced or canceled orders of our products, continued or additional closing of restaurants, stores, entertainment or sports complexes, schools or other venues in which our products are sold, or reduced capacity at any of the foregoing, or our business partners' inability to supply us with ingredients or other items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition have also resulted and may continue to result in our recording additional impairment charges for our inability to recover or collect any accounts receivable, owned or leased assets, including certain foodservice and vending and other equipment, or prepaid expenses. In addition, continued economic uncertainty associated with the COVID-19 pandemic has resulted in volatility in the global capital and credit markets which can impair our ability to access these markets on terms commercially acceptable to us, or at all.

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

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

A summary of our common stock repurchases (in millions, except average price per share) during the third quarter of 2020 is set forth in the table below.

Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
6/13/2020				$ 9,925
6/14/2020 - 7/11/2020	1.1	$ 131.76	1.1	(141)
				9,784
7/12/2020 - 8/8/2020	0.7	$ 136.75	0.7	(100)
				9,684
8/9/2020 - 9/5/2020	1.1	$ 137.92	1.1	(159)
Total	**2.9**	**$ 135.40**	**2.9**	**$ 9,525**

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

ITEM 6. Exhibits.

See "Index to Exhibits" on page 59.

INDEX TO EXHIBITS
ITEM 6

EXHIBIT	
Exhibit 3.1	Amended and Restated Articles of Incorporation of PepsiCo, Inc., effective as of May 1, 2019, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2019.
Exhibit 3.2	By-Laws of PepsiCo, Inc., as amended and restated, effective as of April 15, 2020, which are incorporated herein by reference to Exhibit 3.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2020.
Exhibit 15	Letter re: Unaudited Interim Financial Information.
Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	The following materials from PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 5, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) Notes to the Condensed Consolidated Financial Statements.
Exhibit 104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 5, 2020, formatted in iXBRL and contained in Exhibit 101.

SIGNATURES

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

PepsiCo, Inc.
(Registrant)

Date: September 30, 2020

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

Date: September 30, 2020

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

EXHIBIT 15

Accountant's Acknowledgement

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

We hereby acknowledge our awareness of the use of our report dated September 30, 2020 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve and thirty-six weeks ended September 5, 2020, 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, 333-234767
- PepsiCo Automatic Shelf Registration Statement, 333-216082
- PepsiCo Automatic Shelf Registration Statement, 333-197640
- PepsiCo Automatic Shelf Registration Statement, 333-177307
- PepsiCo Automatic Shelf Registration Statement, 333-154314
- PepsiCo Automatic Shelf Registration Statement, 333-133735
- PepsiAmericas, Inc. 2000 Stock Incentive Plan, 333-165176
- PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and PBG Stock Incentive Plan, 333-165177

Form S-8

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

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

/s/ KPMG LLP

New York, New York
September 30, 2020

EXHIBIT 31

CERTIFICATION

I, **Ramon L. Laguarta,** certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 30, 2020

/s/ Ramon L. Laguarta

Ramon L. Laguarta
Chairman of the Board of Directors and
Chief Executive Officer

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 30, 2020

/s/ Hugh F. Johnston

Hugh F. Johnston
Chief Financial Officer

EXHIBIT 32

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 5, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ramon L. Laguarta, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: September 30, 2020

/s/ Ramon L. Laguarta
Ramon L. Laguarta
Chairman of the Board of Directors and
Chief Executive Officer

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended September 5, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: September 30, 2020

/s/ Hugh F. Johnston
Hugh F. Johnston
Chief Financial Officer