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

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 21, 2015 (12 weeks)

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to ______

Commission file number 1-1183

PepsiCo, Inc.
(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| North Carolina | 13-1584302 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| 700 Anderson Hill Road, Purchase, New York | 10577 |
| (Address of Principal Executive Offices) | (Zip Code) |

914-253-2000
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

| | |
|---|---|
| Large accelerated filer X | Accelerated filer __ |
| Non-accelerated filer __ (Do not check if a smaller reporting company) | Smaller reporting company __ |

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

Number of shares of Common Stock outstanding as of April 17, 2015 was 1,476,050,863.

**PepsiCo, Inc. and Subsidiaries**

**Table of Contents**

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

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| **Net Revenue** | **$ 12,217** | $ 12,623 |
| Cost of sales | **5,442** | 5,747 |
| Gross profit | **6,775** | 6,876 |
| Selling, general and administrative expenses | **4,962** | 5,048 |
| Amortization of intangible assets | **16** | 21 |
| **Operating Profit** | **1,797** | 1,807 |
| Interest expense | **(211)** | (201) |
| Interest income and other | **15** | 10 |
| Income before income taxes | **1,601** | 1,616 |
| Provision for income taxes | **370** | 389 |
| Net income | **1,231** | 1,227 |
| Less: Net income attributable to noncontrolling interests | **10** | 11 |
| **Net Income Attributable to PepsiCo** | **$ 1,221** | $ 1,216 |
| **Net Income Attributable to PepsiCo per Common Share** | | |
| **Basic** | **$ 0.82** | $ 0.80 |
| **Diluted** | **$ 0.81** | $ 0.79 |
| Weighted-average common shares outstanding | | |
| Basic | **1,484** | 1,524 |
| Diluted | **1,503** | 1,540 |
| Cash dividends declared per common share | **$ 0.655** | $ 0.5675 |

See accompanying notes to the condensed consolidated financial statements.

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

| | 12 Weeks Ended 3/21/2015 | | |
|---|---|---|---|
| | **Pre-tax amounts** | **Tax amounts** | **After-tax amounts** |
| Net income | | | **$ 1,231** |
| Other Comprehensive Loss | | | |
| Currency translation adjustment | **$ (981)** | **$ —** | **(981)** |
| Cash flow hedges: | | | |
| Reclassification of net losses to net income | **179** | **(70)** | **109** |
| Net derivative losses | **(155)** | **64** | **(91)** |
| Pension and retiree medical: | | | |
| Reclassification of net losses to net income | **51** | **(17)** | **34** |
| Remeasurement of net liabilities and translation | **31** | **(7)** | **24** |
| Unrealized gains on securities | **16** | **(8)** | **8** |
| Total Other Comprehensive Loss | **$ (859)** | **$ (38)** | **(897)** |
| Comprehensive income | | | **334** |
| Comprehensive income attributable to noncontrolling interests | | | **(10)** |
| **Comprehensive Income Attributable to PepsiCo** | | | **$ 324** |

| | 12 Weeks Ended 3/22/2014 | | |
|---|---|---|---|
| | Pre-tax amounts | Tax amounts | After-tax amounts |
| Net income | | | $ 1,227 |
| Other Comprehensive Loss | | | |
| Currency translation adjustment | $ (874) | $ — | (874) |
| Cash flow hedges: | | | |
| Reclassification of net losses to net income | 10 | (4) | 6 |
| Net derivative gains | 16 | (5) | 11 |
| Pension and retiree medical: | | | |
| Reclassification of net losses to net income | 48 | (16) | 32 |
| Remeasurement of net liabilities and translation | 3 | (1) | 2 |
| Unrealized gains on securities | 18 | (9) | 9 |
| Total Other Comprehensive Loss | $ (779) | $ (35) | (814) |
| Comprehensive income | | | 413 |
| Comprehensive income attributable to noncontrolling interests | | | (10) |
| **Comprehensive Income Attributable to PepsiCo** | | | $ 403 |

See accompanying notes to the condensed consolidated financial statements.

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| **Operating Activities** | | |
| Net income | **$ 1,231** | $ 1,227 |
| Depreciation and amortization | **496** | 532 |
| Stock-based compensation expense | **76** | 72 |
| Restructuring and impairment charges | **36** | 98 |
| Cash payments for restructuring charges | **(47)** | (25) |
| Excess tax benefits from share-based payment arrangements | **(38)** | (47) |
| Pension and retiree medical plan expenses | **104** | 119 |
| Pension and retiree medical plan contributions | **(83)** | (84) |
| Deferred income taxes and other tax charges and credits | **(19)** | 62 |
| Change in assets and liabilities: | | |
| Accounts and notes receivable | **(435)** | (358) |
| Inventories | **(414)** | (406) |
| Prepaid expenses and other current assets | **(262)** | (234) |
| Accounts payable and other current liabilities | **(689)** | (813) |
| Income taxes payable | **294** | 175 |
| Other, net | **20** | (137) |
| **Net Cash Provided by Operating Activities** | **270** | 181 |
| | | |
| **Investing Activities** | | |
| Capital spending | **(270)** | (355) |
| Sales of property, plant and equipment | **11** | 7 |
| Acquisitions and investments in noncontrolled affiliates | **(9)** | (24) |
| Divestitures | **68** | 85 |
| Short-term investments, by original maturity: | | |
| More than three months - purchases | **(647)** | — |
| More than three months - maturities | **1,164** | — |
| Three months or less, net | **3** | 59 |
| Other investing, net | **—** | 5 |
| **Net Cash Provided by/(Used for) Investing Activities** | **320** | (223) |

(Continued on following page)

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| **Financing Activities** | | |
| Proceeds from issuances of long-term debt | **$ —** | $ 1,990 |
| Payments of long-term debt | **(2,052)** | (1,652) |
| Short-term borrowings, by original maturity: | | |
| More than three months - proceeds | **10** | — |
| More than three months - payments | **(2)** | — |
| Three months or less, net | **3,729** | 2,125 |
| Cash dividends paid | **(978)** | (888) |
| Share repurchases - common | **(1,124)** | (1,249) |
| Share repurchases - preferred | **(1)** | (2) |
| Proceeds from exercises of stock options | **171** | 171 |
| Excess tax benefits from share-based payment arrangements | **38** | 47 |
| Other financing | **(1)** | — |
| **Net Cash (Used for)/Provided by Financing Activities** | **(210)** | 542 |
| Effect of exchange rate changes on cash and cash equivalents | **(104)** | (36) |
| **Net Increase in Cash and Cash Equivalents** | **276** | 464 |
| **Cash and Cash Equivalents, Beginning of Year** | **6,134** | 9,375 |
| **Cash and Cash Equivalents, End of Period** | **$ 6,410** | $ 9,839 |

See accompanying notes to the condensed consolidated financial statements.

**Condensed Consolidated Balance Sheet**
PepsiCo, Inc. and Subsidiaries
(in millions)

| | (Unaudited) 3/21/2015 | 12/27/2014 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | **$ 6,410** | $ 6,134 |
| Short-term investments | **2,085** | 2,592 |
| Accounts and notes receivable, less allowance: 3/15 - $137 and 12/14 - $137 | **6,963** | 6,651 |
| Inventories | | |
| Raw materials | **1,567** | 1,593 |
| Work-in-process | **274** | 173 |
| Finished goods | **1,621** | 1,377 |
| | **3,462** | 3,143 |
| Prepaid expenses and other current assets | **2,002** | 2,143 |
| Total Current Assets | **20,922** | 20,663 |
| Property, Plant and Equipment | **35,621** | 36,300 |
| Accumulated Depreciation | **(18,943)** | (19,056) |
| | **16,678** | 17,244 |
| Amortizable Intangible Assets, net | **1,397** | 1,449 |
| Goodwill | **14,681** | 14,965 |
| Other Nonamortizable Intangible Assets | **12,361** | 12,639 |
| Nonamortizable Intangible Assets | **27,042** | 27,604 |
| Investments in Noncontrolled Affiliates | **2,626** | 2,689 |
| Other Assets | **960** | 860 |
| Total Assets | **$ 69,625** | $ 70,509 |

(Continued on following page)

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

| | (Unaudited) 3/21/2015 | 12/27/2014 |
|---|---|---|
| **Liabilities and Equity** | | |
| Current Liabilities | | |
| Short-term obligations | **$ 7,962** | $ 5,076 |
| Accounts payable and other current liabilities | **12,165** | 13,016 |
| Total Current Liabilities | **20,127** | 18,092 |
| Long-term Debt Obligations | **22,403** | 23,821 |
| Other Liabilities | **5,882** | 5,744 |
| Deferred Income Taxes | **5,224** | 5,304 |
| Total Liabilities | **53,636** | 52,961 |
| Commitments and Contingencies | | |
| Preferred Stock, no par value | **41** | 41 |
| Repurchased Preferred Stock | **(182)** | (181) |
| 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: 1,479 and 1,488 shares, respectively) | **25** | 25 |
| Capital in excess of par value | **4,129** | 4,115 |
| Retained earnings | **49,335** | 49,092 |
| Accumulated other comprehensive loss | **(11,566)** | (10,669) |
| Repurchased common stock, in excess of par value (387 and 378 shares, respectively) | **(25,913)** | (24,985) |
| Total PepsiCo Common Shareholders' Equity | **16,010** | 17,578 |
| Noncontrolling interests | **120** | 110 |
| Total Equity | **15,989** | 17,548 |
| Total Liabilities and Equity | **$ 69,625** | $ 70,509 |

See accompanying notes to the condensed consolidated financial statements.

## Condensed Consolidated Statement of Equity

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

| | 12 Weeks Ended | | | |
|---|---|---|---|---|
| | **3/21/2015** | | 3/22/2014 | |
| | **Shares** | **Amount** | Shares | Amount |
| **Preferred Stock** | **0.8** | **$ 41** | 0.8 | $ 41 |
| **Repurchased Preferred Stock** | | | | |
| Balance, beginning of year | **(0.7)** | **(181)** | (0.6) | (171) |
| Redemptions | **—** | **(1)** | — | (2) |
| Balance, end of period | **(0.7)** | **(182)** | (0.6) | (173) |
| **Common Stock** | | | | |
| Balance, beginning of year | **1,488** | **25** | 1,529 | 25 |
| Repurchased common stock | **(9)** | **—** | (10) | — |
| Balance, end of period | **1,479** | **25** | 1,519 | 25 |
| **Capital in Excess of Par Value** | | | | |
| Balance, beginning of year | | **4,115** | | 4,095 |
| Stock-based compensation expense | | **76** | | 72 |
| Stock option exercises, RSUs, PSUs and PEPunits converted (a) | | **(36)** | | (172) |
| Withholding tax on RSUs and PSUs converted | | **(22)** | | (69) |
| Other | | **(4)** | | 16 |
| Balance, end of period | | **4,129** | | 3,942 |
| **Retained Earnings** | | | | |
| Balance, beginning of year | | **49,092** | | 46,420 |
| Net income attributable to PepsiCo | | **1,221** | | 1,216 |
| Cash dividends declared – common | | **(971)** | | (863) |
| Cash dividends declared – RSUs and PSUs | | **(7)** | | (3) |
| Balance, end of period | | **49,335** | | 46,770 |
| **Accumulated Other Comprehensive Loss** | | | | |
| Balance, beginning of year | | **(10,669)** | | (5,127) |
| Currency translation adjustment | | **(981)** | | (873) |
| Cash flow hedges, net of tax: | | | | |
| Reclassification of net losses to net income | | **109** | | 6 |
| Net derivative (losses)/gains | | **(91)** | | 11 |
| Pension and retiree medical, net of tax: | | | | |
| Reclassification of net losses to net income | | **34** | | 32 |
| Remeasurement of net liabilities and translation | | **24** | | 2 |
| Unrealized gains on securities, net of tax | | **8** | | 9 |
| Balance, end of period | | **(11,566)** | | (5,940) |
| **Repurchased Common Stock** | | | | |
| Balance, beginning of year | **(378)** | **(24,985)** | (337) | (21,004) |
| Share repurchases | **(12)** | **(1,166)** | (15) | (1,249) |
| Stock option exercises | **3** | **204** | 3 | 204 |
| Other | **—** | **34** | 2 | 157 |
| Balance, end of period | **(387)** | **(25,913)** | (347) | (21,892) |
| **Total PepsiCo Common Shareholders' Equity** | | **16,010** | | 22,905 |
| **Noncontrolling Interests** | | | | |
| Balance, beginning of year | | **110** | | 110 |
| Net income attributable to noncontrolling interests | | **10** | | 11 |
| Currency translation adjustment | | **—** | | (1) |
| Balance, end of period | | **120** | | 120 |
| **Total Equity** | | **$ 15,989** | | $ 22,893 |

(a) Includes total tax benefits of $29 million in 2015 and $17 million in 2014.

See accompanying notes to the condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

## Note 1 - Basis of Presentation and Our Divisions

### *Basis of Presentation*

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

Our Condensed Consolidated Balance Sheet as of March 21, 2015 and Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the 12 weeks ended March 21, 2015 and March 22, 2014 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 weeks ended March 21, 2015 are not necessarily indicative of the results expected for the full year.

The results of our Venezuelan businesses have been reported under highly inflationary accounting since the beginning of 2010. See further unaudited information in “Our Business Risks” and “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

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

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

### *Our Divisions*

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

1) Frito-Lay North America (FLNA);
2) Quaker Foods North America (QFNA);
3) Latin America Foods (LAF), which includes all of our food and snack businesses in Latin America;
4) PepsiCo Americas Beverages (PAB), which includes all of our North American and Latin American beverage businesses;
5) PepsiCo Europe (Europe), which includes all beverage, food and snack businesses in Europe and South Africa; and
6) PepsiCo Asia, Middle East and Africa (AMEA), which includes all beverage, food and snack businesses in Asia, Middle East and Africa, excluding South Africa.

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

| | 12 Weeks Ended | | | |
|---|---|---|---|---|
| | Net Revenue | | Operating Profit | |
| | **3/21/2015** | 3/22/2014 | **3/21/2015** | 3/22/2014 |
| FLNA | **$ 3,319** | $ 3,219 | **$ 920** | $ 862 |
| QFNA [(a)] | **639** | 634 | **99** | 160 |
| LAF | **1,279** | 1,338 | **204** | 232 |
| PAB | **4,433** | 4,426 | **468** | 429 |
| Europe | **1,477** | 1,961 | **100** | 152 |
| AMEA [(b)] | **1,070** | 1,045 | **242** | 194 |
| Total division | **12,217** | 12,623 | **2,033** | 2,029 |
| Corporate Unallocated | | | | |
| Mark-to-market net (losses)/gains | | | **(1)** | 34 |
| Restructuring and impairment charges [(c)] | | | **(6)** | 3 |
| Other | | | **(229)** | (259) |
| | **$ 12,217** | $ 12,623 | **$ 1,797** | $ 1,807 |

(a) Operating profit for QFNA for the 12 weeks ended March 21, 2015 includes a pre-tax impairment charge of $65 million ($50 million after-tax) associated with our Muller Quaker Dairy (MQD) joint venture investment.

(b) Operating profit for AMEA for the 12 weeks ended March 21, 2015 includes a pre-tax gain of $39 million ($28 million after-tax) associated with refranchising a portion of our bottling operations in India.

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

Total assets of each division are as follows:

| | Total Assets | |
|---|---|---|
| | **3/21/2015** | 12/27/2014 |
| FLNA | **$ 5,247** | $ 5,307 |
| QFNA | **932** | 982 |
| LAF | **4,661** | 4,760 |
| PAB | **30,560** | 30,188 |
| Europe | **13,232** | 13,902 |
| AMEA | **5,889** | 5,887 |
| Total division | **60,521** | 61,026 |
| Corporate [(a)] | **9,104** | 9,483 |
| | **$ 69,625** | $ 70,509 |

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

**Note 2 - Recent Accounting Pronouncements**

In April 2015, the Financial Accounting Standards Board (FASB) issued new accounting guidance intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation for debt discounts. The guidance is effective as of the beginning of our 2016 fiscal year and must be applied on a retrospective basis with early adoption permitted. This guidance is not expected to have a material impact on our financial statements and we have not yet early adopted this standard.

In June 2014, the FASB issued new accounting guidance for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The guidance requires that a performance target that could be achieved after the requisite service period is treated as a performance condition that affects the vesting of the award rather than factored into the grant date fair value. The guidance is effective as of the beginning of our 2016 fiscal year and can be applied prospectively to all share-based payments granted or modified on or after the effective date with early adoption permissible. This guidance is not expected to have any impact on our financial statements and we have not yet early adopted this standard.

In May 2014, the FASB issued new accounting guidance on revenue recognition, which provides for a single five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. There is no option for early adoption. In April 2015, the FASB proposed a one-year deferral of the effective date of the new revenue standard. Under the proposal, the new guidance will be effective as of the beginning of our 2018 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements and have not yet selected a transition approach to implement the standard.

## Note 3 - Restructuring, Impairment and Integration Charges

### *2014 Multi-Year Productivity Plan*

The multi-year productivity plan we publicly announced on February 13, 2014 (2014 Productivity Plan) includes the next generation of productivity initiatives that we believe will strengthen our food, snack and beverage businesses by: accelerating our investment in manufacturing automation; further optimizing our global manufacturing footprint, including closing certain manufacturing facilities; re-engineering our go-to-market systems in developed markets; expanding shared services; and implementing simplified organization structures to drive efficiency. The 2014 Productivity Plan is in addition to the productivity plan we began implementing in 2012 and is expected to continue the benefits of that plan.

In the 12 weeks ended March 21, 2015 and March 22, 2014, we incurred restructuring charges of $30 million ($24 million after-tax or $0.02 per share) and $96 million ($73 million after-tax or $0.05 per share), respectively, in conjunction with the 2014 Productivity Plan. All of these charges were recorded in selling, general and administrative expenses and primarily relate to severance and other employee-related costs, asset impairments (all non-cash) and contract termination costs. Substantially all of the restructuring accrual at March 21, 2015 is expected to be paid by the end of 2015.

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| FLNA | **$ 6** | $ 12 |
| QFNA | **1** | 2 |
| LAF | **2** | 1 |
| PAB | **6** | 82 |
| Europe | **9** | 2 |
| AMEA | **2** | 2 |
| Corporate [(a)] | **4** | (5) |
| | **$ 30** | $ 96 |

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

A summary of our 2014 Productivity Plan activity in 2015 is as follows:

| | Severance and Other Employee Costs | Asset Impairments | Other Costs | Total |
|---|---|---|---|---|
| Liability as of December 27, 2014 | $ 89 | $ — | $ 24 | $ 113 |
| 2015 restructuring charges | 11 | 1 | 18 | 30 |
| Cash payments | (16) | — | (20) | (36) |
| Non-cash charges | (3) | (1) | (1) | (5) |
| Liability as of March 21, 2015 | **$ 81** | **$ —** | **$ 21** | **$ 102** |

***2012 Multi-Year Productivity Plan***

The multi-year productivity plan we publicly announced on February 9, 2012 (2012 Productivity Plan) includes actions in every aspect of our business that we believe will strengthen our complementary food, snack and beverage businesses by: leveraging new technologies and processes across PepsiCo's operations, go-to-market and information systems; heightening the focus on best practice sharing across the globe; consolidating manufacturing, warehouse and sales facilities; and implementing simplified organization structures, with wider spans of control and fewer layers of management. The 2012 Productivity Plan continues to enhance PepsiCo's cost-competitiveness and provide a source of funding for future brand-building and innovation initiatives.

In the 12 weeks ended March 21, 2015 and March 22, 2014, we incurred restructuring charges of $6 million ($5 million after-tax with a nominal amount per share) and $2 million ($3 million after-tax with a nominal amount per share), respectively, in conjunction with our 2012 Productivity Plan. All of these charges were recorded in selling, general and administrative expenses and primarily relate to severance and other employee-related costs and contract termination costs. Substantially all of the restructuring accrual at March 21, 2015 is expected to be paid by the end of 2015.

A summary of our 2012 Productivity Plan charges is as follows:

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| FLNA | **$ —** | $ 1 |
| QFNA | **—** | — |
| LAF [(a)] | **—** | (5) |
| PAB | **1** | 4 |
| Europe [(a)] | **3** | (2) |
| AMEA | **—** | 2 |
| Corporate | **2** | 2 |
| | **$ 6** | $ 2 |

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

A summary of our 2012 Productivity Plan activity in 2015 is as follows:

| | Severance and Other Employee Costs | Other Costs | Total |
|---|---|---|---|
| Liability as of December 27, 2014 | $ 28 | $ 5 | $ 33 |
| 2015 restructuring charges | 1 | 5 | 6 |
| Cash payments | (5) | (6) | (11) |
| Non-cash charges | (1) | — | (1) |
| Liability as of March 21, 2015 | **$ 23** | **$ 4** | **$ 27** |

## Note 4 - Intangible Assets

A summary of our amortizable intangible assets is as follows:

| | **3/21/2015** | | | 12/27/2014 | | |
|---|---|---|---|---|---|---|
| ***Amortizable intangible assets, net*** | **Gross** | **Accumulated Amortization** | **Net** | Gross | Accumulated Amortization | Net |
| Acquired franchise rights | **$ 858** | **$ (91)** | **$ 767** | $ 879 | $ (89) | $ 790 |
| Reacquired franchise rights | **106** | **(96)** | **10** | 107 | (95) | 12 |
| Brands | **1,339** | **(995)** | **344** | 1,361 | (1,004) | 357 |
| Other identifiable intangibles | **576** | **(300)** | **276** | 595 | (305) | 290 |
| | **$ 2,879** | **$ (1,482)** | **$ 1,397** | $ 2,942 | $ (1,493) | $ 1,449 |

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

| | | Balance 12/27/2014 | | Translation and Other | | **Balance 3/21/2015** |
|---|---|---|---|---|---|---|
| ***FLNA*** | | | | | | |
| Goodwill | $ | 291 | $ | (12) | **$** | **279** |
| Brands | | 27 | | (3) | | **24** |
| | | 318 | | (15) | | **303** |
| ***QFNA*** | | | | | | |
| Goodwill | | 175 | | — | | **175** |
| ***LAF*** | | | | | | |
| Goodwill | | 601 | | (26) | | **575** |
| Brands | | 189 | | (9) | | **180** |
| | | 790 | | (35) | | **755** |
| ***PAB*** | | | | | | |
| Goodwill | | 9,889 | | (52) | | **9,837** |
| Reacquired franchise rights | | 7,193 | | (78) | | **7,115** |
| Acquired franchise rights | | 1,538 | | (16) | | **1,522** |
| Brands | | 142 | | (3) | | **139** |
| | | 18,762 | | (149) | | **18,613** |
| ***Europe*** | | | | | | |
| Goodwill | | 3,539 | | (174) | | **3,365** |
| Reacquired franchise rights | | 571 | | (41) | | **530** |
| Acquired franchise rights | | 199 | | (14) | | **185** |
| Brands | | 2,663 | | (109) | | **2,554** |
| | | 6,972 | | (338) | | **6,634** |
| ***AMEA*** | | | | | | |
| Goodwill | | 470 | | (20) | | **450** |
| Brands | | 117 | | (5) | | **112** |
| | | 587 | | (25) | | **562** |
| Total goodwill | | 14,965 | | (284) | | **14,681** |
| Total reacquired franchise rights | | 7,764 | | (119) | | **7,645** |
| Total acquired franchise rights | | 1,737 | | (30) | | **1,707** |
| Total brands | | 3,138 | | (129) | | **3,009** |
| | $ | 27,604 | $ | (562) | **$** | **27,042** |

**Note 5 - Income Taxes**

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

| | 3/21/2015 | 12/27/2014 |
|---|---|---|
| Balance, beginning of year | **$ 1,587** | $ 1,268 |
| Additions for tax positions related to the current year | **40** | 349 |
| Additions for tax positions from prior years | **1** | 215 |
| Reductions for tax positions from prior years | **(1)** | (81) |
| Settlement payments | **(3)** | (70) |
| Statutes of limitations expiration | **(25)** | (42) |
| Translation and other | **(9)** | (52) |
| Balance, end of period | **$ 1,590** | $ 1,587 |

**Note 6 - Stock-Based Compensation**

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| Stock-based compensation expense | **$ 76** | $ 72 |
| Restructuring and impairment benefits | **—** | (3) |
| Total | **$ 76** | $ 69 |

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| Expected life | **7 years** | 6 years |
| Risk free interest rate | **1.8%** | 1.8% |
| Expected volatility [(a)] | **15%** | 16% |
| Expected dividend yield | **2.7%** | 2.9% |

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

The following table summarizes awards granted under the terms of our 2007 Long-Term Incentive Plan:

| | 12 Weeks Ended | | | |
|---|---|---|---|---|
| | **3/21/2015** | | 3/22/2014 | |
| | **Granted [(a)]** | **Weighted-Average Grant Price** | Granted [(a)] | Weighted-Average Grant Price |
| Stock options | **1.6** | **$ 99.25** | 3.0 | $ 79.75 |
| Restricted stock units (RSUs) and Performance stock units (PSUs) | **2.6** | **$ 99.25** | 4.2 | $ 79.76 |
| PepsiCo equity performance units (PEPunits) | **0.3** | **$ 99.25** | 0.4 | $ 79.75 |

(a) In millions.

**Note 7 - Pension and Retiree Medical Benefits**

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

| | 12 Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Pension | | | | Retiree Medical | |
| | **3/21/2015** | 3/22/2014 | **3/21/2015** | 3/22/2014 | **3/21/2015** | 3/22/2014 |
| | U.S. | | International | | | |
| Service cost | **$ 101** | $ 91 | **$ 19** | $ 19 | **$ 8** | $ 8 |
| Interest cost | **126** | 134 | **22** | 24 | **12** | 14 |
| Expected return on plan assets | **(196)** | (181) | **(33)** | (32) | **(6)** | (6) |
| Amortization of prior service (credit)/cost | **(1)** | 5 | **—** | — | **(9)** | (5) |
| Amortization of net losses/(gains) | **47** | 40 | **14** | 9 | **—** | (1) |
| | **77** | 89 | **22** | 20 | **5** | 10 |
| Special termination benefits | **4** | 8 | **—** | — | **1** | — |
| Total expense | **$ 81** | $ 97 | **$ 22** | $ 20 | **$ 6** | $ 10 |

**Note 8 - Debt Obligations and Commitments**

In the first quarter of 2015, $2.1 billion of senior notes matured and were paid. As of March 21, 2015, we had $4.4 billion of commercial paper outstanding.

## Note 9 - Accumulated Other Comprehensive Loss

The reclassifications from Accumulated Other Comprehensive Loss to the Condensed Consolidated Statement of Income are summarized as follows:

| | 12 Weeks Ended | | |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | |
| | **Amount Reclassified from Accumulated Other Comprehensive Loss** | | **Affected Line Item in the Condensed Consolidated Statement of Income** |
| Losses/(Gains) on cash flow hedges: | | | |
| Foreign exchange contracts | **$ (22)** | $ (6) | Cost of sales |
| Interest rate derivatives | **193** | 5 | Interest expense |
| Commodity contracts | **5** | 12 | Cost of sales |
| Commodity contracts | **3** | (1) | Selling, general and administrative expenses |
| Net losses before tax | **179** | 10 | |
| Tax amounts | **(70)** | (4) | |
| Net losses after tax | **$ 109** | $ 6 | |
| | | | |
| Pension and retiree medical items: | | | |
| Amortization of prior service credit [(a)] | **$ (10)** | $ — | |
| Amortization of net losses [(a)] | **61** | 48 | |
| Net losses before tax | **51** | 48 | |
| Tax amounts | **(17)** | (16) | |
| Net losses after tax | **$ 34** | $ 32 | |
| | | | |
| Total net losses reclassified for the period, net of tax | **$ 143** | $ 38 | |

(a) These items are included in the components of net periodic benefit cost for pension and retiree medical plans (see Note 7 for additional details).

## Note 10 - Financial Instruments

### *Derivatives*

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

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

In the normal course of business, we manage commodity price, foreign exchange and interest rate risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging. Ongoing productivity initiatives involve the identification and effective implementation of meaningful cost-saving opportunities or efficiencies, including the use of derivatives. Our global purchasing programs include fixed-price purchase orders and pricing agreements.

Our hedging strategies include the use of derivatives. Certain derivatives are designated as either cash flow or fair value hedges and qualify for hedge accounting treatment, while others do not qualify and are marked to market through earnings. Cash flows from derivatives used to manage commodity price, foreign exchange or interest rate risks are classified as operating activities in the Condensed Consolidated Statement of Cash

Flows. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item.

For cash flow hedges, the effective portion of changes in fair value are deferred in accumulated other comprehensive loss within common shareholders' equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including reviewing netting agreements, if any, and a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk.

*Commodity Prices*

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price contracts and purchase orders, pricing agreements and derivative instruments, which include swaps and futures. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. We use derivatives, with terms of no more than three years, to economically hedge price fluctuations related to a portion of our anticipated commodity purchases, primarily for agricultural products, energy and metals. Ineffectiveness for those derivatives that qualify for hedge accounting treatment was not material for all periods presented. Derivatives used to hedge commodity price risk 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.

Our open commodity derivative contracts had a notional value of $1.1 billion as of March 21, 2015 and $1.2 billion as of December 27, 2014.

*Foreign Exchange*

We are exposed to foreign exchange risk from foreign currency purchases and foreign currency assets and liabilities created in the normal course of business. We manage this risk through sourcing purchases from local suppliers, negotiating contracts in local currencies with foreign suppliers and through the use of derivatives, primarily forward contracts with terms of no more than two years. Exchange rate gains or losses related to foreign currency transactions are recognized as transaction gains or losses in our income statement as incurred.

Our foreign currency derivatives had a total notional value of $2.3 billion as of March 21, 2015 and $2.7 billion as of December 27, 2014. Ineffectiveness for those derivatives that qualify for hedge accounting treatment was not material for all periods presented. For foreign currency derivatives that do not qualify for hedge accounting treatment, all losses and gains were offset by changes in the underlying hedged items, resulting in no material net impact on earnings.

*Interest Rates*

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

The notional values of the interest rate derivative instruments outstanding as of March 21, 2015 and December 27, 2014 were $7.8 billion and $9.3 billion, respectively. Ineffectiveness for those derivatives that qualify for cash flow hedge accounting treatment was not material for all periods presented.

As of March 21, 2015, approximately 31% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to approximately 25% as of December 27, 2014.

***Available-for-Sale Securities***

Investments in debt and marketable equity securities, other than investments accounted for under the equity method, are classified as available-for-sale. All highly liquid investments with original maturities of three months or less are classified as cash equivalents. Our investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of available-for-sale securities are recognized in accumulated other comprehensive loss within common shareholders' equity. Unrealized gains and losses on our investments in debt securities as of March 21, 2015 were not material. The pre-tax unrealized gains on our investments in marketable equity securities were $126 million and $111 million as of March 21, 2015 and December 27, 2014, respectively.

Changes in the fair value of available-for-sale securities impact net income only when such securities are sold or an other-than-temporary impairment is recognized. We regularly review our investment portfolio to determine if any security is other-than-temporarily impaired. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of a security is less than its cost; the financial condition of the issuer and any changes thereto; and our intent to sell, or whether we will more likely than not be required to sell, the security before recovery of its amortized cost basis. Our assessment of whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security. We recorded no other-than-temporary impairment charges for the 12 weeks ended March 21, 2015 and March 22, 2014, respectively.

***Tingyi-Asahi Beverages Holding Co. Ltd. Call Option***

In connection with our transaction with Tingyi (Cayman Islands) Holding Corp. in the second quarter of 2012, we received a call option to increase our holding in Tingyi-Asahi Beverages Holding Co. Ltd. to 20% that expires in the fourth quarter of 2015. If the Company decides not to exercise this call option, we would record a charge to write off the recorded value of the option. Such a charge would be reflected in "Items Affecting Comparability" in the period recognized.

***Fair Value Measurements***

The fair values of our financial assets and liabilities as of March 21, 2015 and December 27, 2014 are categorized as follows:

| | 3/21/2015 | | 12/27/2014 | |
|---|---|---|---|---|
| | **Assets [(a)]** | **Liabilities [(a)]** | Assets [(a)] | Liabilities [(a)] |
| **Available-for-sale securities:** | | | | |
| Equity securities [(b)] | **$ 139** | **$ —** | $ 124 | $ — |
| Debt securities [(c)] | **4,104** | **—** | 3,167 | — |
| | **$ 4,243** | **$ —** | $ 3,291 | $ — |
| Short-term investments [(d)] | **$ 200** | **$ —** | $ 197 | $ — |
| Prepaid forward contracts [(e)] | **$ 25** | **$ —** | $ 26 | $ — |
| Deferred compensation [(f)] | **$ —** | **$ 503** | $ — | $ 504 |
| **Derivatives designated as fair value hedging instruments:** | | | | |
| Interest rate [(g)] | **$ 162** | **$ —** | $ 140 | $ — |
| **Derivatives designated as cash flow hedging instruments:** | | | | |
| Foreign exchange [(h)] | **$ 95** | **$ 24** | $ 76 | $ 12 |
| Interest rate [(h)] | **—** | **310** | 1 | 117 |
| Commodity [(i)] | **1** | **7** | 3 | 10 |
| | **$ 96** | **$ 341** | $ 80 | $ 139 |
| **Derivatives not designated as hedging instruments:** | | | | |
| Foreign exchange [(h)] | **$ 8** | **$ 4** | $ 12 | $ 13 |
| Interest rate [(g)] | **62** | **78** | 57 | 75 |
| Commodity [(i)] | **11** | **152** | 18 | 166 |
| | **$ 81** | **$ 234** | $ 87 | $ 254 |
| Total derivatives at fair value [(j)] | **$ 339** | **$ 575** | $ 307 | $ 393 |
| **Total** | **$ 4,807** | **$ 1,078** | $ 3,821 | $ 897 |

(a) Unless otherwise noted, financial assets are classified on our Condensed Consolidated Balance Sheet within prepaid expenses and other current assets and other assets. Financial liabilities are classified on our Condensed Consolidated Balance Sheet within accounts payable and other current liabilities and other liabilities. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.

(b) Based on the price of common stock. Categorized as a Level 1 asset. These equity securities are classified as investments in noncontrolled affiliates.

(c) Based on quoted broker prices or other significant inputs derived from or corroborated by observable market data. As of March 21, 2015, $2.2 billion and $1.9 billion of debt securities were classified as cash equivalents and short-term investments, respectively. As of December 27, 2014, $0.8 billion and $2.4 billion of debt securities were classified as cash equivalents and short-term investments, respectively. All of the Company's available-for-sale debt securities have contractual maturities of one year or less.

(d) Based on the price of index funds. Categorized as a Level 1 asset. These investments are classified as short-term investments and are used to manage a portion of market risk arising from our deferred compensation liability.

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

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

(g) Based on LIBOR forward rates. As of March 21, 2015 and December 27, 2014, amounts related to non-designated instruments are presented as a net liability on our Condensed Consolidated Balance Sheet.

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

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

(j) Unless otherwise noted, derivative assets and liabilities are presented on a gross basis on our Condensed Consolidated Balance Sheet. Amounts subject to enforceable master netting arrangements or similar agreements which are not offset on the Condensed Consolidated Balance Sheet as of March 21, 2015 and December 27, 2014 were immaterial. Collateral received against any of our asset positions was immaterial.

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to their short-term maturity. The fair value of our debt obligations as of March 21, 2015 and December 27, 2014 was $33 billion and $31 billion, respectively, based upon prices of similar instruments in the marketplace.

Pre-tax losses/(gains) on our derivative instruments are categorized as follows:

| | 12 Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | **Fair Value/Non-designated Hedges** | | **Cash Flow Hedges** | | | |
| | **Losses/(Gains) Recognized in Income Statement [(a)]** | | **Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss** | | **Losses/(Gains) Reclassified from Accumulated Other Comprehensive Loss into Income Statement [(b)]** | |
| | **3/21/2015** | 3/22/2014 | **3/21/2015** | 3/22/2014 | **3/21/2015** | 3/22/2014 |
| Foreign exchange | **$ (8)** | $ (17) | **$ (41)** | $ (18) | **$ (22)** | $ (6) |
| Interest rate | **(23)** | 1 | **194** | (5) | **193** | 5 |
| Commodity | **54** | (9) | **2** | 7 | **8** | 11 |
| Total | **$ 23** | $ (25) | **$ 155** | $ (16) | **$ 179** | $ 10 |

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

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

During the next 12 months, we expect to reclassify net gains of $39 million related to our cash flow hedges from accumulated other comprehensive loss into net income.

## Note 11 - Net Income Attributable to PepsiCo per Common Share

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

| | 12 Weeks Ended | | | |
|---|---|---|---|---|
| | **3/21/2015** | | 3/22/2014 | |
| | **Income** | **Shares (a)** | Income | Shares (a) |
| Net income attributable to PepsiCo | **$ 1,221** | | $ 1,216 | |
| Preferred shares: | | | | |
| Dividends | **—** | | — | |
| Redemption premium | **(1)** | | (1) | |
| Net income available for PepsiCo common shareholders | **$ 1,220** | **1,484** | $ 1,215 | 1,524 |
| Basic net income attributable to PepsiCo per common share | **$ 0.82** | | $ 0.80 | |
| Net income available for PepsiCo common shareholders | **$ 1,220** | **1,484** | $ 1,215 | 1,524 |
| Dilutive securities: | | | | |
| Stock options, RSUs, PSUs, PEPunits and Other (b) | **—** | **18** | — | 15 |
| Employee stock ownership plan (ESOP) convertible preferred stock | **1** | **1** | 1 | 1 |
| Diluted | **$ 1,221** | **1,503** | $ 1,216 | 1,540 |
| Diluted net income attributable to PepsiCo per common share | **$ 0.81** | | $ 0.79 | |

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

(b) In the 12 weeks ended March 21, 2015 and March 22, 2014, options to purchase 1.6 million shares and 0.2 million shares, respectively, were not included in the calculation of diluted earnings per common share because these options were out-of-the-money. These out-of-the-money options had average exercise prices of $99.25 and $82.25 in the 12 weeks ended March 21, 2015 and March 22, 2014, respectively.

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

## FINANCIAL REVIEW

*Our discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our condensed consolidated financial statements and the accompanying notes. Also refer to Note 1 of our condensed consolidated financial statements. 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 Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

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

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

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 advertising and other marketing activities.

#### *Income Taxes*

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

## Our Business Risks

*This Quarterly Report on Form 10-Q contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (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," "goals," "guidance," "intend," "may," "objectives," "outlook," "plan," "position," "potential," "project," "seek," "should," "strategy," "target," "will" or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. Such risks and uncertainties include, but are not limited to: changes in demand for PepsiCo's products, as a result of changes in consumer preferences or otherwise; changes in the legal and regulatory environment; imposition of new taxes, disagreements with tax authorities or additional tax liabilities; PepsiCo's ability to compete effectively; PepsiCo's ability to grow its business in developing and emerging markets or unstable political conditions, civil unrest or other developments and risks in the markets where PepsiCo's products are made, manufactured, distributed or sold; unfavorable economic conditions in the countries in which PepsiCo operates; increased costs, disruption of supply or shortages of raw materials and other supplies; failure to realize anticipated benefits from PepsiCo's productivity initiatives or global operating model; disruption of PepsiCo's supply chain; product contamination or tampering or issues or concerns with respect to product quality, safety and integrity; damage to PepsiCo's reputation or brand image; failure to successfully complete or integrate acquisitions and joint ventures into PepsiCo's existing operations or to complete or manage divestitures or refranchisings; PepsiCo's ability to hire or retain key employees or a highly skilled and diverse workforce; loss of any key customer or changes to the retail landscape; any downgrade or potential downgrade of PepsiCo's credit ratings; the ability to protect information systems against or effectively respond to a cybersecurity incident or other disruption; PepsiCo's ability to implement shared services or utilize information technology systems and networks effectively; fluctuations or other changes in exchange rates, including changes in currency exchange mechanisms or additional governmental actions in Venezuela; climate change, or legal, regulatory or market measures to address climate change; failure to successfully negotiate collective bargaining agreements or strikes or work stoppages; any infringement of or challenge to PepsiCo's intellectual property rights; potential liabilities and costs from litigation or legal proceedings; and other factors that may adversely affect the price of PepsiCo's common stock and financial performance including those described in "Risk Factors" in Item 1A. and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 27, 2014 and in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" of this Quarterly Report on Form 10-Q. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.*

In the first quarter of 2015, our operations outside of North America reflect the months of January and February. Our operations outside of the U.S. generated 37% of our net revenue, with Mexico, Canada, Russia, the United Kingdom and Brazil comprising approximately 17% of our net revenue. As a result, we are exposed to foreign exchange risks in many of the international markets in which we operate. In addition, unstable economic, political and social conditions and civil unrest in certain markets in which our products are sold, including in Russia, Ukraine and the Middle East, and currency fluctuations in certain of these international markets and in Venezuela (discussed below), continue to result in challenging operating environments. In the 12 weeks ended March 21, 2015, unfavorable foreign exchange negatively impacted net revenue performance by 8 percentage points, primarily due to the Russian ruble, Venezuelan bolivar, euro, Mexican peso and the Canadian dollar. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

The results of our Venezuelan snack and beverage businesses have been reported under highly inflationary accounting since the beginning of our 2010 fiscal year, at which time the functional currency of our Venezuelan entities was changed from the bolivar to the U.S. dollar.

As of March 21, 2015, there was a three-tiered exchange rate mechanism in Venezuela for exchanging bolivars into U.S. dollars:

- The government-operated National Center of Foreign Commerce (CENCOEX), which has a fixed exchange rate of 6.3 bolivars per U.S. dollar (fixed exchange rate) mainly intended for the import of essential goods and services by designated industry sectors.
- The auction-based Supplementary Foreign Currency Administration System (now known as SICAD, resulting from the unification in February 2015 of SICAD I and II), which is intended for certain transactions, including foreign investments.
- An open market Marginal Foreign Exchange System (SIMADI), established in February 2015, which is available to companies and individuals to exchange foreign currency based on supply and demand.

At the end of each period, we remeasure the net monetary assets of our Venezuela entities from the bolivar to the U.S. dollar at the rate we believe is legally available to us, including for the payment of dividends. Based on our analysis, we continue to believe that, except as noted below, the SICAD exchange rate is the most appropriate rate to remeasure our net monetary assets. We remeasure certain other net monetary assets at the fixed exchange rate, since we believe that requests for remittance of dividends submitted to CENCOEX in certain prior years at the fixed exchange rate and payables for imports of essential goods approved by CENCOEX continue to qualify for settlement at the fixed exchange rate.

In the first quarter of 2015, our results of operations in Venezuela, which reflect the months of January and February, generated 2% of our net revenue and 1% of our operating profit. As of March 21, 2015, our operations in Venezuela comprised 9% of our cash and cash equivalents balance. Our bolivar-denominated net monetary assets in Venezuela, which primarily include cash and cash equivalents, approximated $505 million at March 21, 2015. At March 21, 2015, we had pending requests with the Venezuelan government for remittance of dividends of approximately $310 million at the fixed exchange rate. These requests pertain to the years from 2006 to 2012. We are unable to predict the likelihood of Venezuelan government approvals of these requests or any requests that we may file in the future or, if any such requests are approved, the estimated time for remittance. We continue to evaluate available options to obtain U.S. dollars to meet our operational needs in Venezuela. Our non-monetary assets in Venezuela, which primarily include an equity investment in our bottler, intangible assets, inventory and property, plant and equipment, approximated $635 million at March 21, 2015.

We believe that significant uncertainty exists regarding the exchange mechanisms in Venezuela, including the nature of transactions that are eligible to flow through CENCOEX, SICAD or SIMADI, or any other new exchange mechanism that may emerge, how any such mechanisms will operate in the future, as well as the availability of U.S. dollars under each mechanism. We continue to monitor developments closely and may determine in the future that rates other than the SICAD exchange rate or the fixed exchange rate, as applicable, are appropriate for remeasurement of the net monetary assets of our Venezuelan entities. If, at the end of the first quarter of 2015, we had used the SICAD exchange rate, which was 12 bolivars per U.S. dollar as of that date, to remeasure the net monetary assets that are currently recorded at the fixed exchange rate, we would have incurred a net charge of approximately $160 million. If, at the end of the first quarter of 2015, we had remeasured all net monetary assets of our Venezuela businesses at the SIMADI exchange rate, which was approximately 177 bolivars per U.S. dollar as of that date, we would have incurred a net charge of approximately $480 million. In addition, if we were to conclude that the SIMADI exchange rate is the appropriate rate for remeasurement of our Venezuelan entities, our results of operations in Venezuela for the remainder of 2015 would expect to generate 0% of our net revenue and 0% of our operating profit and it would also lead to an impairment of our non-monetary assets, which were approximately $635 million at March 21, 2015. Any such remeasurement and potential impairment charges, if recognized, would be reflected in "Items Affecting Comparability." Any further devaluation of the bolivar, change in the currency exchange mechanisms, additional governmental actions or fluctuation of the auction-based SICAD exchange rate could adversely affect our financial position, including a potential impairment of non-monetary assets, results of operations, both for any period in which we determine to remeasure using another rate and on a going forward basis following any such remeasurement, and our ability to make effective business decisions with respect to our Venezuela operations.

During 2014, Russia announced economic sanctions against the United States and other nations that include a ban on imports of certain ingredients and finished goods from specific countries. The sanctions did not have and are not expected to have a material impact on the results of our operations in Russia or our consolidated results or financial position, and we will continue to monitor the economic, operating and political environment in Russia closely. In each of the 12 week periods ended March 21, 2015 and March 22, 2014, 3% and 5.5%, respectively, of our total net revenue was generated by our operations in Russia. As of March 21, 2015, our long-lived assets in Russia were $4.3 billion. Our operations in Ukraine are not significant in relation to our consolidated results or financial position.

See Note 10 to our condensed consolidated financial statements for a discussion of our financial instruments, including their fair values as of March 21, 2015 and March 22, 2014. Cautionary statements included above and in "Item 1A. Risk Factors" and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014, should be considered when evaluating our trends and future results.

**Results of Operations – Consolidated Review**

***Items Affecting Comparability***

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

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| ***Operating profit*** | | |
| Mark-to-market net (losses)/gains | **$ (1)** | $ 34 |
| Restructuring and impairment charges | **$ (36)** | $ (98) |
| ***Net income attributable to PepsiCo*** | | |
| Mark-to-market net (losses)/gains | **$ (1)** | $ 21 |
| Restructuring and impairment charges | **$ (29)** | $ (76) |
| ***Net income attributable to PepsiCo per common share – diluted*** | | |
| | **$ (—)** | $ 0.01 |
| Restructuring and impairment charges | **$ (0.02)** | $ (0.05) |

## Mark-to-Market Net Impact

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

In the 12 weeks ended March 21, 2015, we recognized $1 million ($1 million after-tax with a nominal amount per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses, with an $18 million net loss recognized in cost of sales and a $17 million net gain recognized in selling, general and administrative expenses.

In the 12 weeks ended March 22, 2014, we recognized $34 million ($21 million after-tax or $0.01 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses, with a $46 million net gain recognized in cost of sales and a $12 million net loss recognized in selling, general and administrative expenses.

## Restructuring and Impairment Charges

*2014 Multi-Year Productivity Plan*

In the 12 weeks ended March 21, 2015 and March 22, 2014, we incurred restructuring charges of $30 million ($24 million after-tax or $0.02 per share) and $96 million ($73 million after-tax or $0.05 per share), respectively, in conjunction with the 2014 Productivity Plan. See Note 3 to our condensed consolidated financial statements for further information.

We expect to incur pre-tax charges of approximately $990 million, of which approximately $690 million represents cash expenditures related to the 2014 Productivity Plan, summarized by period as follows:

| | Charges | Cash Expenditures |
|---|---|---|
| 2013 | $ 53 | $ — |
| 2014 | 357 | 175 (b) |
| First quarter 2015 | 30 | 36 |
| | 440 | 211 |
| Remainder of 2015 (expected) | 210 | 186 |
| 2016 - 2019 (expected) | 340 | 293 |
| | **$ 990** (a) | **$ 690** |

(a) This total pre-tax charge is expected to consist of approximately $530 million of severance and other employee-related costs, approximately $180 million for asset impairments (all non-cash) resulting from plant closures and related actions, and approximately $280 million for other costs, including costs related to the termination of leases and other contracts. This charge is expected to impact reportable segments approximately as follows: FLNA 13%, QFNA 2%, LAF 15%, PAB 35%, Europe 25%, AMEA 4% and Corporate 6%.

(b) In 2014, cash expenditures include $10 million reported on the Condensed Consolidated Statement of Cash Flows in pension and retiree medical plan contributions.

*2012 Multi-Year Productivity Plan*

In the 12 weeks ended March 21, 2015 and March 22, 2014, we incurred restructuring charges of $6 million ($5 million after-tax with a nominal amount per share) and $2 million ($3 million after-tax with a nominal amount per share), respectively, in conjunction with the 2012 Productivity Plan. See Note 3 to our condensed consolidated financial statements for further information.

We expect to incur pre-tax charges of approximately $910 million, of which approximately $704 million represents cash expenditures related to the 2012 Productivity Plan, summarized by period as follows:

| | Charges | | Cash Expenditures |
|---|---|---|---|
| 2011 | $ 383 | | $ 30 |
| 2012 | 279 | | 343 |
| 2013 | 110 | | 133 |
| 2014 | 61 | | 101 |
| First quarter 2015 | 6 | | 11 |
| | 839 | | 618 |
| Remainder of 2015 (expected) | 71 | | 86 |
| | **$ 910** | (a) | **$ 704** |

(a) This total pre-tax charge is expected to consist of approximately $545 million of severance and other employee-related costs, approximately $90 million for asset impairments (all non-cash) resulting from plant closures and related actions, and approximately $275 million for other costs, including costs related to the termination of leases and other contracts. This charge is expected to impact reportable segments approximately as follows: FLNA 14%, QFNA 3%, LAF 13%, PAB 24%, Europe 22%, AMEA 9% and Corporate 15%.

***Non-GAAP Measures***

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

***Volume***

Since our divisions each use different measures of physical unit volume (i.e., kilos, gallons, pounds and case sales), a common servings metric is necessary to reflect our consolidated physical unit volume. Our divisions' physical volume measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products. For each of the 12 week periods ended March 21, 2015 and March 22, 2014, total servings increased 1%.

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

***Consolidated Results***

***Total Net Revenue and Operating Profit***

| | 12 Weeks Ended | | |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Total net revenue | **$ 12,217** | $ 12,623 | (3)% |
| Operating profit | | | |
| FLNA | **$ 920** | $ 862 | 7 % |
| QFNA | **99** | 160 | (38)% |
| LAF | **204** | 232 | (12)% |
| PAB | **468** | 429 | 9 % |
| Europe | **100** | 152 | (34)% |
| AMEA | **242** | 194 | 25 % |
| Corporate Unallocated | | | |
| Mark-to-market net (losses)/gains | **(1)** | 34 | |
| Restructuring and impairment charges [(a)] | **(6)** | 3 | |
| Other | **(229)** | (259) | |
| | **$ (236)** | $ (222) | 7 % |
| Total operating profit | **$ 1,797** | $ 1,807 | (1)% |
| | | | |
| Total operating profit margin | **14.7%** | 14.3% | 0.4 |

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

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

On a reported basis, total operating profit decreased 1% and operating margin increased 0.4 percentage points. Operating profit performance was primarily driven by certain operating cost increases, unfavorable foreign exchange and higher commodity costs, partially offset by effective net pricing and planned cost reductions across a number of expense categories. Commodity inflation negatively impacted operating profit performance by 5 percentage points, primarily attributable to inflation in the LAF and Europe segments, partially offset by deflation in the FLNA, PAB and AMEA segments. An impairment charge in the QFNA segment associated with our MQD joint venture negatively impacted operating profit performance by nearly 4 percentage points. The net impact of a gain associated with refranchising a portion of our bottling operations in India and the lapping of a gain associated with the sale of agricultural assets in Russia in the prior year positively contributed 0.5 percentage points to operating profit performance. Other corporate unallocated expenses decreased 11%, primarily reflecting decreased pension expenses and lower foreign exchange transaction losses. Items affecting comparability (see "Items Affecting Comparability") positively contributed 1.5 percentage points to total operating profit performance and increased total operating profit margin by 0.2 percentage points.

### *Other Consolidated Results*

| | 12 Weeks Ended | | |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Interest expense, net | **$ (196)** | $ (191) | $ (5) |
| Tax rate | **23.1%** | 24.1% | |
| Net income attributable to PepsiCo | **$ 1,221** | $ 1,216 | —% |
| Net income attributable to PepsiCo per common share - diluted | **$ 0.81** | $ 0.79 | 3% |
| Mark-to-market net losses/(gains) | **—** | (0.01) | |
| Restructuring and impairment charges | **0.02** | 0.05 | |
| Net income attributable to PepsiCo per common share - diluted, excluding above items [(a)] | **$ 0.83** | $ 0.83 | 1% |
| Impact of foreign exchange translation | | | 11 |
| Growth in net income attributable to PepsiCo per common share - diluted, excluding above items, on a constant currency basis [(a)] | | | 12% |

(a) See "Non-GAAP Measures."

Net interest expense increased $5 million, primarily reflecting higher interest rates, partially offset by higher interest income due to higher investment interest rates and higher gains on the market value of investments used to economically hedge a portion of our deferred compensation costs.

The reported tax rate decreased 1 percentage point primarily due to a reduction in state income taxes and income mix shift in the quarter.

Net income attributable to PepsiCo increased slightly as compared to the prior year and net income attributable to PepsiCo per common share increased 3%. Items affecting comparability (see "Items Affecting Comparability") positively contributed 2 percentage points to both net income attributable to PepsiCo and net income attributable to PepsiCo per common share.

### Results of Operations – Division Review

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

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

**Net Revenue**

| 12 Weeks Ended | FLNA | QFNA | LAF | PAB | Europe | AMEA | Total |
|---|---|---|---|---|---|---|---|
| **3/21/2015** | **$ 3,319** | **$ 639** | **$ 1,279** | **$ 4,433** | **$ 1,477** | **$ 1,070** | **$ 12,217** |
| 3/22/2014 | $ 3,219 | $ 634 | $ 1,338 | $ 4,426 | $ 1,961 | $ 1,045 | $ 12,623 |
| *% Impact of:* | | | | | | | |
| Volume [(a)] | 3 % | 2 % | — % | (1)% | (3)% | 8 % | 1 % |
| Effective net pricing [(b)] | 1 | — | 18 | 3 | 6 | (3) | 4 |
| Foreign exchange translation | (1) | (1) | (22) | (1.5) | (27) | (2.5) | (8) |
| Acquisitions and divestitures | — | — | — | — | — | — | — |
| *Reported Growth [(c)]* | *3 %* | *1 %* | *(4)%* | *— %* | *(25)%* | *2.5 %* | *(3)%* |

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

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

(c) Amounts may not sum due to rounding.

### *Organic Revenue Growth*

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

| 12 Weeks Ended 3/21/2015 | FLNA | QFNA | LAF | PAB | Europe | AMEA | Total |
|---|---|---|---|---|---|---|---|
| **Reported Growth** | **3%** | **1%** | **(4)%** | **—%** | **(25)%** | **2.5%** | **(3)%** |
| *% Impact of:* | | | | | | | |
| Foreign exchange translation | 1 | 1 | 22 | 1.5 | 27 | 2.5 | 8 |
| Acquisitions and divestitures | — | — | — | — | — | — | — |
| *Organic Growth [(a)]* | *4%* | *2%* | *18 %* | *2%* | *2 %* | *5%* | *4 %* |

(a) Amounts may not sum due to rounding.

***Frito-Lay North America***

| | 12 Weeks Ended | | % |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Net revenue | **$ 3,319** | $ 3,219 | 3 |
| Impact of foreign exchange translation | | | 1 |
| Net revenue growth, on a constant currency basis [(a)] | | | 4 |
| | | | |
| Operating profit | **$ 920** | $ 862 | 7 |
| Restructuring and impairment charges | **6** | 13 | |
| Operating profit excluding above item [(a)] | **$ 926** | $ 875 | 6 |
| Impact of foreign exchange translation | | | 1 |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | 7 |

(a) See “Non-GAAP Measures.”

Net revenue and volume each grew 3%. Net revenue growth was driven by the volume growth and effective net pricing. The volume growth reflects double-digit growth in variety packs and mid-single-digit growth in trademark Lay’s and Doritos. These gains were partially offset by a low-single-digit decline in trademark Ruffles.

Operating profit grew 7%, primarily reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 4 percentage points to operating profit growth, primarily cooking oil and corn. These impacts were partially offset by certain operating cost increases and higher advertising and marketing expenses.

***Quaker Foods North America***

| | 12 Weeks Ended | | % |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Net revenue | **$ 639** | $ 634 | 1 |
| Impact of foreign exchange translation | | | 1 |
| Net revenue growth, on a constant currency basis [(a)] | | | 2 |
| Operating profit | **$ 99** | $ 160 | (38) |
| Restructuring and impairment charges | **1** | 2 | |
| Operating profit excluding above item [(a)] | **$ 100** | $ 162 | (38) |
| Impact of foreign exchange translation | | | 1 |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | (38) [(b)] |

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

Net revenue increased 1% and volume grew 2%. The net revenue growth was primarily driven by the volume increase, which reflects high-single-digit growth in ready-to-eat cereals, low-single-digit growth in Oatmeal and mid-single-digit growth in Aunt Jemima syrup and mix. These volume increases were partially offset by a double-digit decline in MQD products.

Operating profit declined 38%, primarily reflecting an impairment charge associated with our MQD joint venture, which negatively impacted operating profit performance by 41 percentage points. Operating profit performance was also negatively impacted by higher advertising and marketing expenses and certain operating cost increases. These impacts were partially offset by planned cost reductions across a number of expense categories and the volume growth.

### *Latin America Foods*

| | 12 Weeks Ended | | | | % |
|---|---|---|---|---|---|
| | **3/21/2015** | | 3/22/2014 | | Change |
| Net revenue | **$** | **1,279** | $ | 1,338 | (4) |
| Impact of foreign exchange translation | | | | | 22 |
| Net revenue growth, on a constant currency basis [(a)] | | | | | 18 |
| | | | | | |
| Operating profit | **$** | **204** | $ | 232 | (12) |
| Restructuring and impairment charges | | **2** | | (4) | |
| Operating profit excluding above item [(a)] | **$** | **206** | $ | 228 | (10) |
| Impact of foreign exchange translation | | | | | 31 |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | | | 22 [(b)] |

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

Net revenue declined 4%, reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 22 percentage points, including 13 percentage points from Venezuela. This decline was partially offset by effective net pricing, including 14 percentage points of inflation-based pricing in Venezuela.

Volume experienced a slight increase, reflecting a low-single-digit increase in Mexico, partially offset by a mid-single-digit decline in Brazil partially attributable to holiday timing.

Operating profit declined 12%, reflecting certain operating cost increases. Additionally, higher commodity costs, led by packaging inflation in Venezuela, negatively impacted operating profit performance by 44 percentage points. These impacts were offset by the effective net pricing and planned cost reductions across a number of expense categories. In addition, unfavorable foreign exchange negatively impacted operating profit performance by 31 percentage points, including a 21-percentage-point impact from Venezuela. The results of our Venezuela business negatively impacted operating profit performance by 2.5 percentage points. For additional information on Venezuela, see “Our Business Risks.”

***PepsiCo Americas Beverages***

| | 12 Weeks Ended | | % | |
|---|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change | |
| Net revenue | **$ 4,433** | $ 4,426 | — | |
| Impact of foreign exchange translation | | | 1.5 | |
| Net revenue growth, on a constant currency basis [(a)] | | | 2 | (b) |
| | | | | |
| Operating profit | **$ 468** | $ 429 | 9 | |
| Restructuring and impairment charges | **7** | 86 | | |
| Operating profit excluding above item [(a)] | **$ 475** | $ 515 | (8) | |
| Impact of foreign exchange translation | | | 11 | |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | 4 | (b) |

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

Net revenue was even with the prior year, primarily reflecting effective net pricing, partially offset by the impact of volume. Unfavorable foreign exchange reduced net revenue growth by 1.5 percentage points.

Volume, which included a contribution of nearly 1 percentage point from certain of our bottler’s brands relating to our joint venture in Chile, was even with the prior year. Latin America volume increased 5%, primarily reflecting 4 percentage points from certain of our bottler’s brands in Chile and a double-digit increase in Mexico, partially offset by double-digit declines in Argentina and Brazil. North America volume declined 1%, reflecting a 2% decline in CSD volumes, partially offset by a 1% increase in non-carbonated beverage volume. The non-carbonated beverage volume increase primarily reflects mid-single-digit increases in our overall water portfolio and Lipton ready-to-drink teas and a low-single-digit increase in Gatorade sports drinks, partially offset by a mid-single-digit decline in our juice and juice drinks portfolio.

Reported operating profit increased 9%. Excluding the item affecting comparability in the above table (see “Items Affecting Comparability”), operating profit decreased 8%. This decrease reflects certain operating cost increases, higher advertising and marketing expenses, as well as the lapping of adjustments recognized through our share of the results of a joint venture in the prior year. These impacts were partially offset by the effective net pricing and planned cost reductions across a number of expense categories, as well as lower commodity costs, which contributed 4 percentage points to reported operating profit growth. Unfavorable foreign exchange reduced operating profit performance by 11 percentage points, including a 10-percentage-point impact from Venezuela. The results of our Venezuela businesses reduced reported operating profit growth by 10 percentage points. For additional information on Venezuela, see “Our Business Risks.”

***PepsiCo Europe***

| | 12 Weeks Ended | | % |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Net revenue | **$ 1,477** | $ 1,961 | (25) |
| Impact of foreign exchange translation | | | 27 |
| Net revenue growth, on a constant currency basis [(a)] | | | 2 |
| | | | |
| Operating profit | **$ 100** | $ 152 | (34) |
| Restructuring and impairment charges | **12** | — | |
| Operating profit excluding above item [(a)] | **$ 112** | $ 152 | (26) |
| Impact of foreign exchange translation | | | 24 |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | (2) |

(a) See "Non-GAAP Measures."

Net revenue decreased 25%, primarily reflecting unfavorable foreign exchange, which negatively impacted net revenue performance by 27 percentage points, including 17 percentage points in Russia, as well as volume declines. These impacts were partially offset by favorable effective net pricing.

Snacks volume declined 1%, primarily reflecting a mid-single-digit decline in Russia and a low-single-digit decline in South Africa. These impacts were partially offset by low-single-digit growth in the United Kingdom and mid-single-digit growth in Turkey. Additionally, the Netherlands experienced a slight decline.

Beverage volume declined 5%, primarily reflecting double-digit declines in Russia and Germany and a mid-single-digit decline in the United Kingdom, partially offset by double-digit growth in Turkey and mid-single-digit growth in France. Additionally, Poland experienced a low-single-digit decline.

Operating profit decreased 34%, reflecting certain operating cost increases, as well as higher commodity costs, which negatively impacted operating profit performance by 34 percentage points and primarily reflected foreign exchange transactional losses, and the volume declines. In addition, unfavorable foreign exchange and the lapping of a gain associated with the sale of agricultural assets in Russia in the prior year negatively impacted operating profit performance by 24 and 20 percentage points, respectively. These impacts were partially offset by the effective net pricing and planned cost reductions across a number of expense categories. The item affecting comparability in the above table (see "Items Affecting Comparability") negatively impacted operating profit performance by 8 percentage points.

Table of Contents

***PepsiCo Asia, Middle East and Africa***

| | 12 Weeks Ended | | % |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | Change |
| Net revenue | **$ 1,070** | $ 1,045 | 2.5 |
| Impact of foreign exchange translation | | | 2.5 |
| Net revenue growth, on a constant currency basis [(a)] | | | 5 |
| | | | |
| Operating profit | **$ 242** | $ 194 | 25 |
| Restructuring and impairment charges | **2** | 4 | |
| Operating profit excluding above item [(a)] | **$ 244** | $ 198 | 23 |
| Impact of foreign exchange translation | | | 2 |
| Operating profit growth excluding above item, on a constant currency basis [(a)] | | | 26 [(b)] |

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

Net revenue increased 2.5%, reflecting volume growth partially offset by unfavorable net pricing. Unfavorable foreign exchange reduced net revenue growth by 2.5 percentage points.

Snacks volume grew 9%, reflecting double-digit growth in China and India, partially offset by a double-digit decline in Thailand. Additionally, Australia experienced low-single-digit growth and the Middle East experienced high-single-digit growth.

Beverage volume grew 1%, reflecting high-single-digit growth in the Middle East and the Philippines and mid-single-digit growth in India, partially offset by a double-digit decline in China.

Operating profit increased 25%, reflecting the impact of a pre-tax gain associated with refranchising a portion of our bottling operations in India, which contributed 20 percentage points to operating profit growth. Operating profit growth also reflected the volume growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, which increased operating profit growth by 3 percentage points. These impacts were partially offset by certain operating cost increases including strategic initiatives and unfavorable net pricing.

## Our Liquidity and Capital Resources

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing, such as commercial paper borrowings and long-term debt financing, will be adequate to meet our operating, investing and financing needs. Our primary sources of cash available to us to fund cash outflows, such as our anticipated share repurchases, dividend payments and scheduled debt maturities, include cash from operations and proceeds obtained from issuances of commercial paper and long-term debt. However, there can be no assurance that volatility in the global capital and credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all. See "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

As of March 21, 2015, we had cash, cash equivalents and short-term investments of $7.8 billion outside the U.S. To the extent foreign earnings are repatriated, such amounts would be subject to income tax liabilities, both in the U.S. and in various applicable foreign jurisdictions. In addition, currency restrictions enacted by the government in Venezuela have impacted our ability to pay dividends outside of the country from our snack and beverage operations in Venezuela. As of March 21, 2015, our operations in Venezuela comprised 9% of our cash and cash equivalents balance. For additional information on our operations in Venezuela, see "Our Business Risks."

### *Operating Activities*

During the 12 weeks in 2015, net cash provided by operating activities was $270 million, compared to $181 million in the prior year period. The operating cash flow performance primarily reflects higher prior year net cash tax payments.

Also see "Free Cash Flow" below for certain other items impacting net cash provided by operating activities.

### *Investing Activities*

During the 12 weeks in 2015, net cash provided by investing activities was $320 million, primarily reflecting net maturities of debt securities of $517 million, partially offset by net capital spending of $259 million. See Note 10 to our condensed consolidated financial statements for further discussion of our debt securities.

We expect 2015 net capital spending to be approximately $3.0 billion, within our long-term capital spending target of less than or equal to 5% of net revenue.

### *Financing Activities*

During the 12 weeks in 2015, net cash used for financing activities was $210 million, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of $2.1 billion and net payments of long term-debt borrowings of $2.1 billion, partially offset by net proceeds from short-term borrowings of $3.7 billion and proceeds from exercises of stock options of $0.2 billion.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. On February 11, 2015, we announced a new share repurchase program providing for the repurchase of up to $12.0 billion of PepsiCo common stock commencing on July 1, 2015 and expiring on June 30, 2018. This repurchase program is in addition to the current $10.0 billion repurchase program authorized by our Board of Directors and publicly announced in the first quarter of 2013, which commenced on July 1, 2013 and expires on June 30, 2016. On February 11, 2015, we also announced a 7% increase in our annualized dividend to $2.81 per share from $2.62 per share, effective with the dividend that is expected to be paid in June 2015. We expect to return a total of $8.5 billion to $9.0 billion to shareholders in 2015 through share repurchases of approximately $4.5 billion to $5.0 billion and dividends of approximately $4.0 billion. See "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" for a description of our share repurchase program.

### *Free Cash Flow*

We focus on free cash flow as an important element in evaluating our performance. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. Additionally, we consider certain items (included in the table below) in evaluating free cash flow. We believe investors should consider these items in evaluating our free cash flow results. Free cash flow excluding certain items is the primary measure we use to monitor cash flow performance. However, free cash flow and free cash flow excluding certain items are not measures provided by U.S. GAAP. Therefore, these measures are not, and should not be viewed as, substitutes for U.S. GAAP cash flow measures.

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

| | 12 Weeks Ended | | |
|---|---|---|---|
| | **3/21/2015** | 3/22/2014 | % Change |
| Net cash provided by operating activities | **$ 270** | $ 181 | 50 |
| Capital spending | **(270)** | (355) | |
| Sales of property, plant and equipment | **11** | 7 | |
| Free cash flow | **11** | (167) | n/m |
| Payments related to restructuring charges (after-tax) | **46** | 29 | |
| Capital investments related to restructuring plan | **—** | 3 | |
| Free cash flow excluding above items | **$ 57** | $ (135) | n/m |

*n/m=not meaningful*

Free cash flow is used primarily to pay dividends and repurchase shares. 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 ensure appropriate financial flexibility and ready access to global capital and credit markets at favorable interest rates. However, see "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014, as well as "Our Business Risks" above for certain factors that may impact 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 "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks," included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014, and Note 8 to our condensed consolidated financial statements.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.:

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of March 21, 2015, the related Condensed Consolidated Statements of Income, Comprehensive Income, Cash Flows, and Equity for the twelve weeks ended March 21, 2015 and March 22, 2014. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 27, 2014, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for the fiscal year then ended not presented herein; and in our report dated February 12, 2015, 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 27, 2014, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
April 23, 2015

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" and Note 10 to our condensed consolidated financial statements. In addition, see "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks" in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

**ITEM 4. Controls and Procedures.**

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

During our first fiscal quarter of 2015, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. 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.

Except as described above, there were no changes in our internal control over financial reporting during our first fiscal quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1. Legal Proceedings.

The following information should be read in conjunction with the discussion set forth under Part I, Item 3. “Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

As previously disclosed: (i) on January 6, 2011, Wojewodzka Inspekcja Ochrony Srodowiska, the Polish environmental control authority (the Polish Authority), began an audit of a bottling plant of our subsidiary, Pepsi-Cola General Bottlers Poland SP, z.o.o. (PCGB), in Michrow, Poland; (ii) on February 18, 2011, the Polish Authority alleged that in 2009 the plant was not in compliance with applicable regulations requiring the use of approved laboratories for the analysis of the plant’s waste and sought monetary sanctions of $700,000 and PCGB appealed this decision; and (iii) on January 15, 2013, the Supreme Administrative Court issued a final, non-appealable decision finding that the sanctions against PCGB were imposed in violation of applicable environmental law and released PCGB from all liability with respect to such sanctions. Also as previously disclosed, on July 30, 2013, the Polish Authority alleged that the plant was not in compliance in 2009 with applicable regulations governing the taking of water samples for analysis of the plant’s waste and sought monetary sanctions of $650,000 and PCGB appealed this decision. On April 7, 2015, the General Environmental Inspector for Environmental Protection upheld the sanctions against PCGB and we intend to further appeal this decision.

In addition, we and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our financial condition, results of operations or cash flows. See “Item 1. Business – Regulatory Environment and Environmental Compliance.”, “Item 1A. Risk Factors – Changes in the legal and regulatory environment could limit our business activities, increase our operating costs, reduce demand for our products or result in litigation.”, “Item 1A. Risk Factors – Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our business, financial condition or results of operations.”, “Item 1A. Risk Factors – Our business, financial condition or results of operations could be adversely affected if we are unable to grow our business in developing and emerging markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are made, manufactured, distributed or sold.” and “Item 1A. Risk Factors – Potential liabilities and costs from litigation or legal proceedings could have an adverse impact on our business, financial condition or results of operations.” in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

### ITEM 1A. Risk Factors.

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014.

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

A summary of our common stock repurchases (in millions, except average price per share) during the first quarter of 2015 is set forth in the table below.

**Issuer Purchases of Common Stock**

| Period | Total Number of Shares Repurchased [(1)] | 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 [(2)] |
|---|---|---|---|---|
| 12/27/2014 | | | | $ 3,352 |
| 12/28/2014 - 1/24/2015 | 3.8 | $ 96.51 | 3.8 | (364) |
| | | | | 2,988 |
| 1/25/2015 - 2/21/2015 | 4.1 | $ 96.18 | 4.1 | (395) |
| | | | | 2,593 |
| 2/22/2015 - 3/21/2015 | 4.2 | $ 96.79 | 4.2 | (407) |
| Total | 12.1 | $ 96.49 | 12.1 | $ 2,186 |

(1) All shares were repurchased in open market transactions pursuant to the $10 billion repurchase program authorized by our Board of Directors and publicly announced on February 14, 2013, which commenced on July 1, 2013 and expires on June 30, 2016.

(2) Does not include shares authorized for repurchase under a new program for repurchases of up to $12 billion of our common stock announced on February 11, 2015, which will commence on July 1, 2015 and expire on June 30, 2018. Such shares may be repurchased in open market transactions, in privately negotiated transactions, in accelerated stock repurchase transactions or otherwise.

In connection with our merger with The Quaker Oats Company (Quaker) in 2001, shares of our convertible preferred stock were authorized and issued to an ESOP fund established by Quaker. The preferences, limitations and relative rights of the shares of convertible preferred stock are set forth in Exhibit A to our amended and restated articles of incorporation. Quaker made the final award to the ESOP in June 2001. The Company does not have any authorized, but unissued, "blank check preferred stock." PepsiCo repurchases shares of its convertible preferred stock from the ESOP in connection with share redemptions by ESOP participants.

The following table summarizes our convertible preferred share repurchases during the first quarter of 2015.

**Issuer Purchases of Convertible Preferred Stock**

| Period | Total Number of Shares Repurchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| 12/28/2014 - 1/24/2015 | — | $ — | N/A | N/A |
| 1/25/2015 - 2/21/2015 | 900 | $ 498.23 | N/A | N/A |
| 2/22/2015 - 3/21/2015 | 1,400 | $ 469.65 | N/A | N/A |
| Total | 2,300 | $ 480.83 | N/A | N/A |

**ITEM 5. Other Information.**

The Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA) requires disclosure of certain activities relating to Iran by PepsiCo or its affiliates. As previously disclosed, one of our foreign subsidiaries historically maintained a small office in Iran, which provided sales support to independent bottlers in Iran in connection with in-country sales of foreign-owned beverage brands, and which was not in contravention of any applicable U.S. sanctions laws. The office ceased all commercial activity since the enactment of ITRA. During our 2014 fiscal year, our foreign subsidiary received a license from the U.S. Treasury Department's Office of Foreign Assets Control authorizing it to engage in activities related to the winding down of the office in Iran and started the process of winding down its office. This license expired during the first quarter of 2015 and the foreign subsidiary ceased the process of winding down the office upon such expiration, applied for a new license and restarted the winding down process upon receipt of the new license. The foreign subsidiary did not engage in any activities in Iran other than wind-down activities in the first quarter of 2015, or have any revenues or profits attributable to activities in Iran during the first quarter of 2015.

**ITEM 6. Exhibits.**

See "Index to Exhibits" on page 47.

Table of Contents

## SIGNATURES

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

PepsiCo, Inc.
(Registrant)

Date: April 23, 2015

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

Date: April 23, 2015

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

# INDEX TO EXHIBITS
## ITEM 6

EXHIBITS

| | |
|---|---|
| Exhibit 3.1 | Articles of Incorporation of PepsiCo, Inc., as amended and restated, effective as of May 9, 2011, which are incorporated herein by reference to Exhibit 3.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 9, 2011. |
| Exhibit 3.2 | By-laws of PepsiCo, Inc., as amended, effective as of November 22, 2013, 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 November 27, 2013. |
| Exhibit 10.1 | PepsiCo International Retirement Plan Defined Contribution Program, as amended. |
| Exhibit 12 | Computation of Ratio of Earnings to Fixed Charges. |
| Exhibit 15 | Letter re: Unaudited Interim Financial Information. |
| Exhibit 31 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101 | The following materials from PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 21, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Income, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) the Condensed Consolidated Balance Sheet, (v) the Condensed Consolidated Statement of Equity, and (vi) Notes to the Condensed Consolidated Financial Statements. |

# THE PEPSICO INTERNATIONAL RETIREMENT PLAN

# DEFINED CONTRIBUTION PROGRAM

# (PIRP-DC)

**Effective as of January 1, 2011**

**TABLE OF CONTENTS**

# ARTICLE I – HISTORY AND GENERAL INFORMATION

PepsiCo, Inc. (the "Corporation") first established the PepsiCo International Retirement Plan effective as of September 1, 1980. The Plan at that time was comprised of the "PepsiCo International Retirement Plan Trust Indenture" and the "Plan Rules." The Plan was amended and restated in its entirety, effective September 2, 1982.

The Plan was again amended and restated effective October 1, 2003, whereupon the Plan Rules became the "Plan A Rules" (applicable to benefits funded by the Corporation's contributions to the trust established by the PepsiCo International Retirement Plan Trust Indenture) and the "Plan B Rules" (applicable to benefits funded by the Corporation as they arise) took effect.

The Plan was further amended effective January 1, 2005, to provide that no person subject to taxation in the United States of America may in any way have their right to a benefit from the Plan come into existence, increase or in any way be enhanced, but instead will be determined as if they had left the Corporation and any Associated Company permanently before becoming subject to U.S. taxation.

Effective January 1, 2010, the Plan A Rules and Plan B Rules were amended and restated in their entirety to form one Plan document. The amendment and restatement referred to in the prior sentence remains in effect, and it sets forth the terms of the "DB Program."

Effective January 1, 2011, the Corporation established a new defined contribution structure (the "DC Program") to benefit selected international employees for whom it has been determined to be appropriate (*i.e.*, employees on assignments outside of their home countries for whom it is judged to be impractical to have them participate in their home country retirement plans, and employees who are among a selected group of senior globalists on United States tax equalized packages). The terms of the DC Program are set forth in this document, which is the governing legal document for the DC Program. Together, the DC Program and the DB Program set forth the terms of a single Plan.

At all times, the Plan is unfunded and unsecured for purposes of the United States Internal Revenue Code and Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The benefits of an executive are an obligation of that executive's individual employer. With respect to his employer, the executive has the rights of an unsecured general creditor. The Plan is also intended to be exempt from ERISA as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States.

# ARTICLE II – DEFINITIONS AND CONSTRUCTION

**2.01 Definitions.**

Where the following words and phrases appear in this governing document for the DC Program, they shall have the meaning set forth below, unless a different meaning is plainly required by the context:

(a) "Approved Transfer" means any of the following that are initiated or approved by the Corporation or (with the approval of the Corporation) by a Member's Employer –

(1) The Member's transfer to employment based in the United States or its territories;

(2) The Member's secondment to a work location in the United States or its territories;

(3) Any other change in the Member's employment circumstances that will cause the Member to become a U.S. Person.

(b) "Associated Company" means any company or undertaking which (i) is directly or indirectly controlled by or associated in business with the Corporation, and (ii) which has agreed, subject to the ongoing consent of the Vice President, to perform and observe the conditions, stipulations and provisions of the DC Program and to be included among the Employers under the DC Program. "Associated Companies" means all such companies or undertakings.

(c) "Corporation" means PepsiCo, Inc., a corporation organized and existing under the laws of the State of North Carolina, or its successor or successors.

(d) "Dependant" means the person who shall receive the balance of a Member's PIRP-DC Account upon the Member's death.

(e) "DB Program" means the portion of the Plan that provides a program of defined benefits and that is described in the governing legal document entitled "The PepsiCo International Retirement Plan Defined Benefit Program (PIRP DB), as it may be amended from time to time. The DB Program is also sometimes referred to as "PIRP-DB".

(f) "DC Program" means the portion of the Plan that provides a program of defined contributions and that is described in the governing legal document entitled "The PepsiCo International Retirement Plan Defined Contribution Program (PIRP-DC), as it may be amended from time to time. The DC Program is also sometimes referred to as "PIRP-DC."

(g) “Distribution Valuation Date” means the date as specified by the Vice President from time to time as of which PIRP-DC Accounts are valued for purposes of distributions under Article VI. Currently, the Distribution Valuation Date for a Member is the month end that occurs just after the event specified in Article VI that triggers the Member’s distribution. Accordingly, if the trigger event occurs on December 30 of a year, the current Distribution Valuation Date is December 31 of that year, and if the trigger event occurs on December 31 of a year, the current Distribution Valuation Date is January 31 of the following year. The Vice President may change any current Distribution Valuation Date. Values are determined as of the close of a Distribution Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

(h) “Effective Date” means the date as of which the DC Program is effective, January 1, 2011.

(i) “Eligible Employee” means an individual who the Vice President has determined (i) is employed exclusively outside of the United States on the regular staff of an Approved Employer on a full-time salaried basis, (ii) is neither actively accruing benefits that are derived from service under the DB Program nor is designated as being eligible to accrue such benefits, and (iii) is described in at least one of the following paragraphs

(1) The individual is on an assignment outside of his home country and it is judged to be impractical to have him participate in the retirement plan(s) sponsored by the Corporation (or an Affiliated Company) in his home country;

(2) The individual is on his second (or more) consecutive assignment outside of his home country, and the retirement plan(s) available to the individual in his home country do not include a retirement plan that is sponsored by the Corporation or an Affiliated Company (*e.g.*, a case where only a statutory plan is available to the individual); or

(3) The individual is among a selected group of senior globalists on United States tax equalized packages whose positions and employment terms are among those that the Vice President has determined make them eligible to be considered for status as Active Members.

The Vice President shall have the discretion to designate as an Eligible Employee any individual employed by an Approved Employer on a part-time basis who, but for his part-time status, otherwise satisfies the requirements of this subsection.

(j) “Eligible Spouse” means the individual to whom the Member is married, or to whom the Member was married on the date of his death. The determination of whether a Member is married shall be made by the Vice President based on the law of the location that is determined by the Vice President to be the Member’s principal residence;

provided, however, that for purposes of the DC Program, a Member shall have only one Eligible Spouse.

(k) "Employers" means the Corporation and any and every Associated Company or such one or more of any of them as the context shall determine or the circumstances require. "Employer" in relation to any person means whichever it is of the Employers in whose employment that person is or was at the relevant time or those Employers (if more than one) in whose employment he had been during the relevant period. An "Approved Employer" means an Employer that, as of the time in question, has been approved by the Vice President (and remains approved) to have its Eligible Employees become and continue as Active Members hereunder.

(l) "Entry Date" means the date as of which an Eligible Employee becomes a Member, which shall be the date that the Vice President specifies for the Eligible Employee's admission to Membership.

(m) "Interest Credit" means the credit made annually to a Member's PIRP-DC Account pursuant to Section 4.01(b).

(n) "Interest Rate" means the annualized rate of interest used to determine a Member's Interest Credit. As of the Effective Date, the Interest Rate is the rate of interest on 30-year Treasury securities as prescribed by the Commissioner of the United States Internal Revenue Service for the month of September immediately preceding the first day of the Plan Year to which an Interest Credit relates. The Vice President shall have the discretion to change from time to time the basis for determining the Interest Rate as necessary to ensure that the Interest Rate is readily determinable and administrable, and that it can be reasonably expected to provide substantially a market rate of interest over time. At all times the Interest Rate shall not exceed a level that may be considered to constitute earnings under Treasury Regulation § 1.409A-1(o).

(o) "Member" means an Eligible Employee who has been admitted to Membership in the DC Program pursuant to Article III and who remains entitled to a benefit under the DC Program. In relation to each of the Employers, any reference to a Member means a Member in or formerly in its employment. References to "Membership" are references to the status of being a Member. The terms "Active Member" and "Inactive Member" shall have the respective meanings stated for these terms in Section 3.03.

(p) "Pay Credit" means the credit made to an Active Member's PIRP-DC Account pursuant to Section 4.01(a).

(q) "Plan" means the PepsiCo International Retirement Plan, which as of January 1, 2011 consists of the DC Program and DB Program.

(r) "Plan Year" means the 12-consecutive month period beginning on January 1 and ending on the following December 31 of the same calendar year.

(s) "PepsiCo Organization" means the controlled group of organizations of which the Corporation is a part, as defined by United States Internal Revenue Code section 414 and regulations issued thereunder. An entity shall only be considered a member of the PepsiCo Organization during the period it is one of the group of organizations described in the preceding sentence.

(t) "PIRP-DC Account" means the unfunded, notional account maintained for a Member on the books of the Member's Employer that indicates the dollar amount that, as of any time, is credited under the DC Program for the benefit of the Member. The balance in such account shall be determined in accordance with interpretive principles and decisions applied by the Vice President.

(u) "Salary" means (i) home notional base salary in the case of an Eligible Employee who is not paid on a United States payroll, and (ii) base salary plus bonus in the case of an Eligible Employee who is paid on a United States payroll. In the case of an Eligible Employee who is employed in a country other than the United States, the Vice President may authorize the Eligible Employee's Salary to be increased to reflect an amount of notional bonus that is paid to such Eligible Employee. The determination of an Eligible Employee's Salary in accordance with the preceding two sentences shall be made by the Vice President and shall be conclusive and binding on all Eligible Employees.

(v) "Service" means the period during which an Eligible Employee was continuously in employment (including all permissible periods of authorized leave of absence) with any Approved Employer. A permissible period of authorized leave of absence is a period of absence of not more than 12 months, unless a longer period is individually authorized in writing by the Vice President. A break in service of less than 12 months shall not be considered to have broken the continuity of a Member's Service. Other breaks in service (including a break in service of at least 12 months and a break in service before an individual has become a Member) shall break the continuity of an individual's Service, and employment before the break in service will only be counted as Service if it would otherwise qualify under this subsection and the Vice President approves its being counted. For an individual who transfers from employment with an Employer while not an Eligible Employee to the status of an Eligible Employee of an Approved Employer, his pre-transfer period of employment with an Employer may be counted as Service only with the approval of the Vice President. Similarly, for an individual who transfers from employment with an Approved Employer as an Eligible Employee to other employment with an Employer, his post-transfer period of employment with an Employer may be counted as Service only with the approval of the Vice President. Except as otherwise expressly provided by the Vice President, Service shall not include an individual's periods of employment with any company or undertaking prior to it becoming an Employer or a member of the PepsiCo Organization.

(w) "Status Change" means any change in a Member's circumstances (other than a change in circumstances that constitutes an Approved Transfer) that will cause the Member to become a U.S. Person.

(x) "U.S. Person" means: (1) a citizen of the United States of America; (2) a person lawfully admitted for permanent residence in the United States of America at any time during the calendar year, or who has applied for such permanent residence (within the meaning of United States Internal Revenue Code section 7701(b)(1)(A)); or (3) any other person who is a resident alien of the United States of America under United States Internal Revenue Code section 7701(b)(1)(A) because, for example, the person satisfies the substantial presence test under United States Internal Revenue Code section 7701(b)(3) or makes an election to be treated as a United States resident under United States Internal Revenue Code section 7701(b)(4).

(y) "Valuation date" means each business day, as determined by the Vice President, as of which Members' PIRP-DC Accounts are valued (for purposes other than distributions under Article VI) in accordance with DC Program procedures that are then currently in effect. As of the Effective Date, the DC Program shall have a Valuation Date for all Members as of the last day of each Plan Year. In addition, to the extent provided in Section 4.02, the DC Program shall have a special Valuation Date prior to the end of a Plan Year for Active Member's who have an Approved Transfer (and for certain Active Members who have a Status Change) as described in Section 4.02. In accordance with procedures that may be adopted by the Vice President, any current Valuation Date may be changed (but in such case adjustments shall apply in the operation of the DC Program as necessary to prevent duplicate or disproportionate benefits, as determined by the Vice President). Values are determined as of the close of a Valuation Date or, if such date is not a business day, as of the close of the preceding business day.

(z) "Vice President" means the Vice President of Benefits of PepsiCo, Inc.

**2.02 Construction.**

(a) Gender and Number: In this document for the DC Program where the context does not otherwise determine, words importing the masculine gender shall include the feminine gender and words importing the singular number shall include the plural number and vice versa.

(b) Determining Periods of Years: For the purposes of the DC Program, any period of 365 consecutive days (or of 366 consecutive days, if the period includes 29th February) shall be deemed to constitute a year, but not so that in the calculation of a number of years any day is counted more than once. Where the amount of a benefit depends upon the calculation of a number of years or months without expressly requiring that these should be complete years or months, a proportionate amount (*i.e.*, a number of days) may be given for any part of a year or month which would not otherwise be included in the calculation. Where this document makes reference to months or parts of a year, or to any other period of time except a day, week or year the Vice President may authorize the period to be counted in days or complete calendar months with each calendar month counted as 1/12th of a year.

(c) Compounds of the Word "Here": The words "hereof" and "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire DC Program, not to any particular provision or section.

(d) Examples: Whenever an example is provided or the text uses the term "including" followed by a specific item or items, or there is a passage having a similar effect, such passages of the document shall be construed as if the phrase "without limitation" followed such example or term (or otherwise applied to such passage in a manner that avoids limitation on its breadth of application).

(e) Subdivisions of this Document: This document is divided and subdivided using the following progression: articles, sections, subsections, paragraphs, subparagraphs and clauses. Articles are designated by capital roman numerals. Sections are designated by Arabic numerals containing a decimal point. Subsections are designated by lower-case letters in parentheses. Paragraphs are designated by Arabic numerals in parentheses. Subparagraphs are designated by lower-case roman numerals in parentheses. Clauses are designated by upper-case letters in parentheses. Any reference in a section to a subsection (with no accompanying section reference) shall be read as a reference to the subsection with the specified designation contained in that same section. A similar rule shall apply with respect to paragraph references within a subsection and subparagraph references within a paragraph.

## ARTICLE III – MEMBERSHIP

**3.01 Eligibility for Membership.**

Every person who the Vice President determines is an Eligible Employee shall be eligible for Membership.

**3.02 Admission to Membership.**

Every person who the Vice President determines is an Eligible Employee, and who is not during the relevant time a U.S. Person, shall, following the approval of his Membership by the Vice President, be admitted to Membership effective as of his Entry Date. For this purpose, the relevant time includes a sufficient period before the Eligible Employee's Proposed Entry Date as is necessary to avoid PIRP-DC Accounts being considered deferred compensation that is subject to Section 409A of the United States Internal Revenue Code. No Eligible Employee or any other person shall be admitted to Membership without the approval of the Vice President.

**3.03 Active and Inactive Membership.**

A Member shall be an Active Member during the period that he is – (a) employed as an Eligible Employee, (b) not a U.S. Person, and (c) currently approved for status as an Active Member by the Vice President. A Member shall be an Inactive Member during any period that he does not currently meet all of the requirements to be an Active Member.

## ARTICLE IV – CONTRIBUTIONS

**4.01 Contributions.**

To the extent provided in subsections (a) and (b) below, the Employer shall allocate Pay Credits and Interest Credits to a Member's PIRP-DC Account, each determined by the Vice President as follows –

(a) Pay Credit. To receive a Pay Credit for a Plan Year, an individual must be an Active Member during such year. The amount of an Active Member's Pay Credit for a Plan Year shall be determined by multiplying the Active Member's annualized Salary in effect as of that year's Valuation Date by the Active Member's applicable percentage, which shall be one of the following: 5%, 8%, 10%, 12% or 18%. The Vice President shall specify the Active Member's applicable percentage as of the Active Member's Entry Date. For each subsequent Plan Year that the individual is an Active Member, the Vice President may specify a new applicable percentage that shall apply to the Active Member for such Plan Year.

(b) Interest Credit. To receive an Interest Credit for a Plan Year, an individual must be either an Active Member or Inactive Member during such year, and the individual must have had a balance in his PIRP-DC Account as of the prior Plan Year's Valuation Date. The amount of a Member's Interest Credit shall be determined by the Vice President by multiplying the Interest Rate for the period since the last Valuation Date by the balance of the Member's PIRP-DC Account as of such last Valuation Date.

A Member's Pay Credit and Interest Credit shall be determined by the Vice President as soon as administratively practicable after each Valuation Date. If a Member has less than one full year of Active Membership since such last Valuation Date (*e.g.,* as may apply in the Member's first and last year of Membership), the Member's Pay Credit as otherwise determined under subsection (a) above shall be prorated for such period based upon the Member's fractional year of Active Membership. If a Member has less than one full year of Membership since such last Valuation Date, any Interest Credit as otherwise available and determined under subsection (b) above shall be prorated for such period based upon the Member's fractional year of Membership (*e.g.*, as may apply in the Member's last year of Membership). A fractional year shall be computed by dividing the Member's days of Membership or Active Membership (as applicable) during the Plan Year by the total number of days in such Plan Year. A period of paid leave of absence during a Plan Year shall be considered a period of Active Membership for purposes of determining a Member's Pay Credit for the Plan Year in accordance with the prior sentence. However, a period of unpaid leave of absence during a Plan Year shall not be considered a period of Active Membership for purposes of determining a Member's Pay Credit for the Plan Year in accordance with the prior sentence (and as a result, the Pay Credit for the Plan Year containing the unpaid leave shall be prorated, or there shall be no Pay Credit, all as necessary to limit Pay Credits to the Member's period of Active Membership during the Plan Year). In the event a prorated Pay Credit and Interest Credit relate to the Member's final year of Membership, the Pay Credit and Interest Credit shall be determined as of the Member's Distribution Valuation Date (with proration based upon the Member's fractional final year of Membership). The calculation of the Pay Credit and Interest Credit by the Vice President shall be conclusive and binding on all Members (and their Dependants).

**4.02 Special Rules for Approved Transfers and Status Changes.**

(a) Automatic Special Valuation Dates for Approved Transfers. Notwithstanding Section 4.01 above, in the case of an Active Member who will have an Approved Transfer during a Plan Year, the Active Member shall automatically have a special Valuation Date as of the last business day before the earlier of – (a) the Active Member's Approved Transfer, or (b) the day the Active Member would become a U.S. Person in connection with the Approved Transfer.

(b) Special Valuation Dates for Status Changes. Also notwithstanding Section 4.01 above, in the case of an Active Member who will have a Status Change, the Active Member may request that the Vice President grant him a special Valuation Date as of the last business day before the Active Member's Status Change. In order for a special Valuation Date related to a Status Change to be valid and effective under the DC Program, the Active Member's request and the Vice President's approval of the request must both be completely final and in place prior to the special Valuation Date.

A special Valuation Date under either subsection (a) or (b) above shall apply solely for purposes of determining and allocating the Active Member's Pay Credit for such Plan Year. The Pay Credit that the affected Active Member shall receive on this special Valuation Date shall be prorated to reflect the Member's period of Active Membership during the Plan Year through the special Valuation Date. If a Member has a Status Change during a Plan Year but is not timely and effectively authorized for a special Valuation Date as provided in subsection (b) above, the Member will not receive a Pay Credit for such Plan Year.

**4.03 Offsets.**

Notwithstanding Sections 4.01 and 4.02 above, the Corporation may reduce the amount of any payment or benefit that is or would become payable to or on behalf of a Member by the amount of any obligation of the Member to the Corporation or by the amount of –

(a) Any material benefits accrued by the Member under a retirement plan sponsored by the Corporation or by any country, state, province or other political subdivision or locality, to the extent the Vice President determines that the benefit amount under such retirement plan is for Service or Salary that is taken into account in providing Pay Credits under the DC Program, and

(b) Any termination indemnity or other payment to the Member by the Employer or PepsiCo Organization related to the Member's termination of employment, to the extent the Vice President determines that the payment is reasonably related to Service that is taken into account in providing Pay Credits under the DC Program.

Consistent with the foregoing, appropriate reductions may be made in the Pay Credits and Interest Credits that otherwise would be provided to the Member under Sections 4.01 and 4.02, the balance in the Member's PIRP-DC Account under Article V, or the Member's distributions under Article VI. The determination of whether a benefit is material and all other aspects of the application of this Section 4.03 is solely in the independent discretion of the Vice President.

## ARTICLE V – MEMBER ACCOUNTS

**5.01 Accounting for Members' Interests.**

Pay Credits and Interest Credits shall be credited to a Member's PIRP-DC Account as of the Valuation Date to which such credits relate (or, in the case of Pay Credits and Interest Credits that relate to the Member's final year of Membership, as of the Member's Distribution Valuation Date) or as soon as administratively practicable thereafter. A Member's PIRP-DC Account is a bookkeeping device to track the notional value of the Member's Pay Credits and Interest Credits (and his Employer's liability for such credits). No assets shall be reserved or segregated in connection with any PIRP-DC Account, and no PIRP-DC Account shall be funded, insured or otherwise secured.

**5.02 Vesting.**

Subject to Sections 4.03 and 9.14, a Member shall be fully vested in, and have a nonforfeitable right to, his PIRP-DC Account upon completing 3 years of Service, or if earlier, upon the death or disability of the Member while employed by the Employer or PepsiCo Organization. The determination of whether a Member has become disabled for this purpose shall be made by the Vice President in accordance with such standards as the Vice President deems to be appropriate as of the time in question.

**5.03 Special Vesting for Approved Transfers and Status Changes.**

(a) Automatic Special Vesting for Approved Transfers. Notwithstanding Section 5.02 above, in the case of an Active Member who will have an Approved Transfer during a Plan Year, the Active Member shall automatically have special vesting apply as of the last business day before the earlier of – (a) the Active Member's Approved Transfer, or (b) the day the Active Member would become a U.S. Person in connection with the Approved Transfer.

(b) Special Vesting for Status Changes. Also notwithstanding Section 5.02 above, in the case of an Active Member who will have a Status Change, the Active Member may request that the Vice President apply special vesting to him as of the last business day before the Active Member's Status Change. In order for special vesting related to a Status Change to be valid and effective under the DC Program, the Active Member's request and the Vice President's approval of the request must both be completely final and in place prior to the date that the special vesting applies.

The effect of special vesting applying to a Member in accordance with this either subsection (a) or (b) above is that the Member will become vested, to the same extent as could apply under Section 5.02 if the Member vested under that Section, as of the date that the special vesting applies.

# ARTICLE VI – DISTRIBUTION OF BENEFITS

**6.01 Distribution Rules Generally.**

A Member's PIRP-DC Account shall be distributed based upon first to occur of the Member's termination of employment with the PepsiCo Organization or death, as provided in Sections 6.02 and 6.03 respectively, subject to Section 4.06 (vesting). All distributions shall be made in cash.

**6.02 Distributions Upon Termination of Employment.**

If a Member's PIRP-DC Account becomes distributable based upon his termination of employment with the PepsiCo Organization, such distribution shall be made in a single lump sum payment on the first of the month that immediately follows the Member's Distribution Valuation Date. In the case of a Member whose termination of employment with the PepsiCo Organization occurs as a result of the Member becoming disabled, for purposes of this Section, the determination of whether such Member is disabled and the date on which such Member's termination of employment is considered to occur shall be made by the Vice President.

**6.03 Distributions Upon Death.**

If a Member's PIRP-DC Account becomes distributable based upon his death, such distribution shall be made in a single lump sum payment on the first day of the month that immediately follows the Member's Distribution Valuation Date. Amounts paid following a Member's death shall be paid to the Member's Dependant; provided, however, that if no Dependant designation is in effect at the time of the Member's death (as determined by the Vice President), or if all persons designated as Dependants have predeceased the Member, then the payments to be made pursuant to this Section shall be distributed to the Member's Eligible Spouse, or if the Member is not married at the time of his death, to his estate.

**6.04 Valuation.**

In determining the amount of any individual distribution pursuant to this Article, the Member's PIRP-DC Account shall continue to be credited with Interest Credits (and debited for expenses) as specified in Article V until the Member's Distribution Valuation Date.

**6.05 Designation of Dependant.**

A Member shall designate one or more Dependants who will be entitled to any amounts payable on his death. A Member shall have the right to change or revoke his Dependant designation at any time prior to the effective date of such election. If the Member is married at the time he or she designates a Dependant(s), any designation under this section of a Dependant(s) who is not the Member's Eligible Spouse shall require the written consent of the Member's Eligible Spouse. A revocation of a Dependant(s) does not require consent by the Member's Eligible Spouse. The designation of any Dependant(s), and any change or revocation thereof, and any written consent of a Member's Eligible Spouse required by this Section shall be made in accordance with rules adopted by the Vice President, shall be made in writing on forms provided by the Vice President, and shall not be effective unless and until filed with the Vice President.

## ARTICLE VII – ADMINISTRATION

**7.01 Authority to Administer Plan.**

(a) Administration by the Vice President: The Plan shall be administered by the Vice President, who shall have the authority to interpret the Plan and issue such regulations as he deems appropriate. All actions by the Vice President hereunder may be taken in his sole discretion, and all interpretations, determinations and regulations made or issued by the Vice President shall be final and binding on all persons and parties concerned.

(b) Authority to Delegate: The Vice President may delegate any of his responsibilities under the Plan to other persons or entities, or designate or employ other persons to carry out any of his duties, responsibilities or other functions under the Plan. Any reference in the Plan to an action by the Vice President shall, to the extent applicable, refer to such action by the Vice President's delegate or other designated person.

**7.02 Facility of Payment.**

Whenever, in the opinion of the Vice President, a person entitled to receive any payment of a benefit hereunder is under a legal disability or is incapacitated in any way so as to be unable to manage his financial affairs, the Vice President may direct that payments from the Plan be made to such person's legal representative for his benefit, or that the payment be applied for the benefit of such person in such manner as the Vice President considers advisable. Any payment of a benefit in accordance with the provisions of this section shall be a complete discharge of any liability for the making of such payment under the provisions of the Plan.

**7.03 Claims Procedure.**

The Vice President shall have the exclusive discretionary authority to construe and to interpret the Plan, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and his decisions on such matters are final and conclusive. As a result, benefits under this Plan will be paid only if the Vice President decides in his discretion that the person claiming such benefits is entitled to them. This discretionary authority is intended to be absolute, and in any case where the extent of this discretion is in question, the Vice President is to be accorded the maximum discretion possible. Any exercise of this discretionary authority shall be reviewed by a court, arbitrator or other tribunal under the arbitrary and capricious standard (*i.e.*, the abuse of discretion standard). If, pursuant to this discretionary authority, an assertion of any right to a benefit by or on behalf of a Member or Dependant (a "claimant") is wholly or partially denied, the Vice President, or a party designated by the Vice President, will provide such claimant within the 90-day period following the receipt of the claim by the Vice President, a comprehensible written notice setting forth:

(a) The specific reason or reasons for such denial;

(b) Specific reference to pertinent Plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to submit to perfect the claim and an explanation of why such material or information is necessary; and

(d) A description of the Plan's claim review procedure (including the time limits applicable to such process).

If the Vice President determines that special circumstances require an extension of time for processing the claim he may extend the response period from 90 to 180 days. If this occurs, the Vice President will notify the claimant before the end of the initial 90-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. Upon review, the Vice President shall provide the claimant a full and fair review of the claim, including the opportunity to submit to the Vice President comments, document, records and other information relevant to the claim and the Vice President's review shall take into account such comments, documents, records and information regardless of whether it was submitted or considered at the initial determination. The decision on review will be made within 60 days after receipt of the request for review, unless circumstances warrant an extension of time not to exceed an additional 60 days. If this occurs, notice of the extension will be furnished to the claimant before the end of the initial 60-day period, indicating the special circumstances requiring the extension and the date by which the Vice President expects to make the final decision. The final decision shall be in writing and drafted in a manner calculated to be understood by the claimant; include specific reasons for the decision with references to the specific Plan provisions on which the decision is based; and provide that the claimant is entitled to receive, upon request and free of charge, copies of, all documents, records, and other information relevant to his claim for benefits.

Any claim under the Plan that is reviewed by a court, arbitrator or any other tribunal shall be reviewed solely on the basis of the record before the Vice President at the time it made its determination. In addition, any such review shall be conditioned on the claimant's having fully exhausted all rights under this section.

**7.04 Limitations on Actions.**

Any claim filed under Article VII and any action filed in any court or other tribunal by or on behalf of a former or current Employee, Member, Dependant or any other individual, person or entity (collectively, a "Petitioner") for the alleged wrongful denial of Plan benefits must be brought within two years of the date the Petitioner's cause of action first accrues. For purposes of this subsection, a cause of action with respect to a Petitioner's benefits under the Plan shall be deemed to accrue not later than earlier of (i) when the Petitioner has received the calculation of the benefits that are the subject of the claim or legal action; (ii) the date identified to the Petitioner by the Vice President on which payment shall be made; or (ii) when he has actual or constructive knowledge of the facts that are the basis of his claim. Failure to bring any such claim or cause of action within this two-year time frame shall preclude a Petitioner, or any representative of the Petitioner, from filing the claim or cause of action. Correspondence or other communications following the mandatory appeals process described above shall have no effect on this two-year time frame.

**7.05 Restriction of Venue.**

Any claim or action filed in court or any other tribunal in connection with the Plan by or on behalf of a Petitioner shall only be brought or filed in the state or federal courts of New York, specifically the state or federal court, whichever applies, located nearest the Corporation's headquarters.

**7.06 Effect of Specific References.**

Specific references in the Plan to the Vice President's discretion shall create no inference that the Vice President's discretion in any other respect, or in connection with any other provision, is less complete or broad.

## ARTICLE VIII – AMENDMENT AND TERMINATION

**8.01 Continuation of the Plan.**

While the Corporation intends to continue the Plan indefinitely, it assumes no contractual obligation as to its continuance. The Corporation hereby reserves the right, in its sole discretion, to amend, terminate, or partially terminate the Plan at any time provided, however, that no such amendment or termination shall reduce the balance (determined as of the date of such amendment or termination) in the Plan account maintained for the benefit of a Member or his Dependant, except to the extent the Member becomes entitled to an amount under another plan or practice maintained by an Employer. Specific forms (including times) of payment are not protected under the preceding sentence.

**8.02 Amendment.**

The Corporation may, in its sole discretion, make any amendment or amendments to this Plan from time to time, with or without retroactive effect, subject to Section 8.01. An Employer (other than the Corporation) shall not have the right to amend the Plan.

**8.03 Termination.**

The Corporation may terminate the Plan, either as to its participation or as to the participation of one or more Employers. If the Plan is terminated with respect to fewer than all of the Employers, the Plan shall continue in effect for the benefit of the employees of the remaining Employers.

## ARTICLE IX – MISCELLANEOUS

**9.01 Unfunded Plan.**

The Employers’ obligations under the Plan shall not be funded, but shall constitute liabilities by the Employer payable when due out of the Employer’s general funds. To the extent a Member or any other person acquires a right to receive benefits under this Plan, such right shall be no greater than the rights of any unsecured general creditor of the Employer.

**9.02 Costs of the Plan.**

Unless otherwise agreed by the Corporation, all costs, charges and expenses of or incidental to the administration and management of the Plan shall be the costs, charges and expenses of the Employers and shall be paid by each Employer based on the proportion of Members who are employed by such Employer as compared to the total number of Members at the time the cost or expense is incurred.

**9.03 Temporary Absence of Member.**

If a Member is absent from duty by reason other than death, discharge, retirement or quitting (*e.g.*, sickness, accident, layoff, vacation), he shall be deemed to have terminated employment on the date that is 12 months after the date on which he is absent, unless the Vice President determines otherwise. If the Member’s absence from duty is by reason of his service as a full-time member of the armed forces of any country or of any organization engaged in national service of any such country, he shall not be deemed to have terminated employment so long as he is regarded by the Employer as remaining in employment or until he shall resign permanently from employment, whichever shall first occur.

**9.04 Taxes, Etc.**

In the event any tax or assessment or other duty is determined by the Vice President to be owing in respect of any benefit payable from the Plan, the Plan shall be entitled to withhold an amount not exceeding the amount of any such tax or assessment or other duty from the benefit payable and shall apply the same in satisfaction of said tax or assessment or other duty.

**9.05 Nonguarantee of Employment.**

Nothing in the Plan shall be construed as a contract of employment between an Employer and any of its employees, or as a right of any such employee to continue in the employment of the Employer, or as a limitation of the right of an Employer to discharge any of its employees, with or without cause.

**9.06 No Right to Benefits.**

No person, whether or not being a Member, shall have any claim, right or interest under the Plan except as provided by the terms of the Plan. In the event of a Member’s termination of employment by an Employer, the resulting cessation of his Membership shall not be grounds for any damages or any increase in damages in any action brought against the Employer or any member of the PepsiCo Organization with respect to such termination.

**9.07 Charges on Benefits.**

All benefits in respect of a Member under the Plan shall stand charged with and be subject to deductions therefrom of all sums in respect of losses to a member of the PepsiCo Organization or Employer or otherwise caused by misdemeanor of the Member and on production by the member of the PepsiCo Organization or Employer of proof satisfactory to the Vice President that any such loss ought to be made good by a Member. The relevant amount shall be deductible from the Member's benefits and be payable to the Employer or member of the PepsiCo Organization whose receipt shall be a valid discharge for the same.

**9.08 Prohibited Misconduct.**

(a) Notwithstanding any other provision of this Plan to the contrary, if the Vice President determines that a Member has engaged in Prohibited Misconduct at any time prior to the second anniversary of his termination of employment with the PepsiCo Organization, the Member shall forfeit all Pay Credits and Interest Credits (whether paid previously, being paid currently or payable in the future), and his PIRP-DC Account shall be adjusted to reflect such forfeiture and previously paid Pay Credits and Interest Credits shall be recovered. As a condition to Membership in this Plan, each Member agrees to this and each Member agrees to repay PepsiCo the amounts it seeks to recover under this Section 9.08.

(b) Any of the following activities engaged in, directly or indirectly, by a Member shall constitute Prohibited Misconduct:

(1) The Member accepting any employment, assignment, position or responsibility, or acquiring any ownership interest, which involves the Member's "Participation" (as defined below) in a business entity that markets, sells, distributes or produces "Covered Products" (as defined below), unless such business entity makes retail sales or consumes Covered Products without in any way competing with the PepsiCo Organization.

(2) The Member, directly or indirectly (including through someone else acting on the Member's recommendation, suggestion, identification or advice), soliciting any PepsiCo Organization employee to leave the PepsiCo Organization's employment or to accept any position with any other entity.

(3) The Member using or disclosing to anyone any confidential information regarding the PepsiCo Organization other than as necessary in his position with the PepsiCo Organization. Such confidential information shall include all non-public information the Member acquired as a result of his positions with the PepsiCo Organization which might be of any value to a competitor of the PepsiCo Organization, or which might cause any economic loss

or substantial embarrassment to the PepsiCo Organization or its customers, bottlers, distributors or suppliers if used or disclosed. Examples of such confidential information include non-public information about the PepsiCo Organization's customers, suppliers, distributors and potential acquisition targets; its business operations and structure; its product lines, formulas and pricing; its processes, machines and inventions; its research and know-how; its financial data; and its plans and strategies.

(4) The Member engaging in any acts that are considered to be contrary to the PepsiCo Organization's best interests, including violating the Corporation's Code of Conduct, engaging in unlawful trading in the securities of the Corporation or of any other company based on information gained as a result of his employment with the PepsiCo Organization, or engaging in any other activity which constitutes gross misconduct.

(5) The Member engaging in any activity that constitutes fraud.

For purposes of this subsection, "Participation" shall be construed broadly to include: (i) serving as a director, officer, employee, consultant or contractor with respect to such a business entity; (ii) providing input, advice, guidance or suggestions to such a business entity; or (iii) providing a recommendation or testimonial on behalf of such a business entity or one or more products it produces. For purposes of this subsection, "Covered Products" shall mean any product that falls into one or more of the following categories, so long as the PepsiCo Organization is producing, marketing, selling or licensing such product anywhere in the world – beverages, including without limitation carbonated soft drinks, tea, water, juice drinks, sports drinks, coffee drinks and value-added dairy drinks; juices and juice products; snacks, including salty snacks, sweet snacks meat snacks, granola and cereal bars, and cookies; hot cereals; pancake mixes; value-added rice products; pancake syrups; value-added pasta products; ready-to-eat cereals; dry pasta products; or any product or service that the Member had reason to know was under development by the PepsiCo Organization during the Member's employment with the PepsiCo Organization.

**9.09 Notices.**

Any notice which under the Plan is required to be given to or served upon the Plan shall be deemed to be sufficiently given to or served upon the Plan if it is in writing and delivered to the Vice President. In any case where under the Plan any notice shall be required to be given to Members, it shall be sufficient if such notice is delivered to the Member's last known address on file in the records of the Employer or delivered to the Member pursuant to any other method (*e.g.*, electronically) that the Vice President determines is reasonably available to the Member.

### 9.10 Plan Documentation.

Every Member shall on demand be entitled to a copy of the Plan.

### 9.11 Currency of Payment.

Payment of benefits under the Plan shall be made in United States dollars, or other "eligible currency," as approved by the Vice President. The amount otherwise payable in United States dollars would be converted to the selected currency using the exchange rate, based on the methodology approved by the Vice President from time to time.

### 9.12 Governing Law.

The Plan shall in all respects be governed by and interpreted according to the laws of the State of New York.

### 9.13 Exemption from ERISA.

The Plan is intended to be exempt from the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), as a plan maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States. In order to preserve this exemption from ERISA, Active Membership in the Plan shall be limited to individuals who are nonresident aliens of the United States and whose assigned work locations are outside the United States, and it is intended that all permanent records and documentation relating to the administration of the Plan shall be kept at a location that is outside of the United States.

### 9.14 Exemption from Section 409A.

In order to permit this Plan to be completely exempt from United States Internal Revenue Code section 409A, this Plan shall be subject to the special operating rules and limitations in this Section 9.14. It is the intent of the Plan that no Member who is a U.S. Person may in any way have their benefit from the Plan vest, increase or in any way be enhanced (collectively, a “Benefit Enhancement”) as a result of their compensation or service while a U.S. Person. However, Interest Credits may be provided on the PIRP-DC Account of a Member who is a U.S. Person, but only to the extent the balance in the PIRP-DC Account is derived from Pay Credits that relate to Service completed while the Member was not a U.S. Person (and Interest Credits on such Pay Credits). Accordingly, no Member shall become entitled to a Benefit Enhancement with respect to a calendar year until it is determined, following the close of such year, that the Member was not a U.S. Person with respect to such year. Notwithstanding the preceding sentence, and subject to Section 4.07(b), in the calendar year a Member’s benefit under this Plan is scheduled to commence, the Vice President may authorize a Benefit Enhancement for the calendar year of benefit commencement to the extent the Vice President determines satisfactorily that the Member will not be a U.S. Person for such year. In other cases, the Member’s benefit will commence under this Plan without any Benefit Enhancement related to the calendar year of commencement, and appropriate adjustments will be made to the Member’s benefit in the following year if it is determined that the Member was not a U.S. Person in such calendar year of commencement.

## ARTICLE X – SIGNATURE

This Plan is hereby adopted this 16th day of December, 2010, to be effective as of January 1, 2011.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Senior Vice President, Human Resources Chief Personnel Officer

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

**AMENDMENT ONE TO THE**

**PEPSICO INTERNATIONAL RETIREMENT PLAN**

**(As Amended and Restated Effective as of January 1, 2010)**

The PepsiCo International Retirement Plan (the “Plan”) is hereby amended as follows, effective January 1, 2011:

I.

Section (I)(f)(1) of Table A of the Defined Benefit Program component of the Plan is hereby deleted in its entirety and replaced as follows:

(1) The Pension calculated as provided in (b) above, but based on the Pensionable Service the Member would have earned had he remained an Active Member until his Normal Retirement Age (subject to a maximum of 35 years) and Highest Average Monthly Salary as of September 30, 2003, reduced by a fraction, the numerator of which is the Member’s actual years of Pensionable Service prior to October 1, 2003 (subject to a maximum of 35 years) and the denominator of which is the years of Pensionable Service he would have earned had he remained an Active Member until his Normal Retirement Age.

II.

The fifth paragraph of Article I – History and General Information of the Defined Contribution Program component of the Plan is hereby deleted in its entirety and replaced with the following:

Effective January 1, 2011, the Corporation established a new defined contribution structure (the “DC Program”) to benefit selected international employees for whom it has been determined to be appropriate (*i.e.*, employees on assignments outside of their home countries for whom it is judged to be impractical to have them participate in their home country retirement plans, and employees who are among a selected group of senior globalists on United States tax equalized packages). The terms of the DC Program are set forth in this document, which is the governing legal document for the DC Program.

Together, the DC Program and the DB Program set forth the terms of a single Plan. The DC Program is also sometimes referred to in employee communications as the PepsiCo International Pension Plan or “PIPP.”

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources Chief Personnel Officer
Date: December 20, 2011

APPROVED:

By: /s/ Stacy L. DeWalt
Stacy L. DeWalt
Employee Benefits Counsel
Law Department

**AMENDMENT TWO TO THE**
**PEPSICO INTERNATIONAL RETIREMENT PLAN**
**(As Amended and Restated Effective as of January 1, 2010)**

The PepsiCo Internal Retirement Plan (the “Plan”) is hereby amended as follows, effective as of January 1, 2013:

I.

The last paragraph of Section 2.01(v) of the Defined Benefit Program is amended in its entirety to read as follows:

> If a Member has Salary in accordance with the prior sentence and then ceases to be employed by an Employer (but the Member remains employed by a member of the PepsiCo Organization), compensation while employed by the member of the PepsiCo Organization that otherwise would qualify as Salary hereunder shall be considered Salary for purposes of the DB Program. In the event a Member’s Salary is either (i) paid in currency other than United States dollars or (ii) paid in United States dollars but not tied to the United States salary ranges established by the Corporation, as updated from time to time, such currency shall be converted to United States dollars according to procedures established by the Global Mobility Team, or if no so such procedures exist as of the time in question, as reasonably determined by the Vice President. Notwithstanding the foregoing provisions of this definition, the Vice President may exercise his discretion to determine a Member's Salary based on an alternative definition that is different than that set forth above.

II.

The Defined Contribution Program is amended by the addition of the following Appendix thereto:

**APPENDIX**

Effective January 1, 2013, the Vice President, in his or her sole discretion, may establish Pay Credit schedules other than those provided for in Section 4.01 of the DC Program (*i.e.*, other than the 5%, 8%, 10%, 12% or 18% schedules provided therein) to apply in the case of a Member (or Members) specifically designed by the Vice President for this purpose, provided that each such arrangement otherwise meets all applicable requirements of the Plan.

PEPSICO, INC.

By: /s/ Cynthia M. Trudell
Cynthia M. Trudell
Executive Vice President, Human Resources Chief Personnel Officer
Date: December 18, 2013

APPROVED:

By: /s/ Stacy D. Grindal
Stacy D. Grindal
Senior Legal Director,
Employee Benefits Counsel

Date: December 12, 2013

**EXHIBIT 12**

**Computation of Ratio of Earnings to Fixed Charges**
PepsiCo, Inc. and Subsidiaries
(in millions except ratio amounts, unaudited)

| | 12 Weeks Ended | |
|---|---|---|
| | **3/21/2015** | 3/22/2014 |
| Earnings: | | |
| Income before income taxes | **$ 1,601** | $ 1,616 |
| Unconsolidated affiliates' interests, net | **(14)** | (32) |
| Amortization of capitalized interest | **2** | 1 |
| Interest expense [(a)] | **211** | 201 |
| Interest portion of rent expense [(b)] | **48** | 51 |
| Earnings available for fixed charges | **$ 1,848** | $ 1,837 |
| | | |
| Fixed Charges: | | |
| Interest expense [(a)] | **$ 211** | $ 201 |
| Capitalized interest | **1** | 2 |
| Interest portion of rent expense [(b)] | **48** | 51 |
| Total fixed charges | **$ 260** | $ 254 |
| | | |
| Ratio of Earnings to Fixed Charges [(c)] | **7.11** | 7.25 |

(a) Excludes interest related to our reserves for income taxes as such interest is included in provision for income taxes and includes net amortization of debt premium/discount.
(b) One-third of rent expense is the portion deemed representative of the interest factor.
(c) Based on unrounded amounts.

**EXHIBIT 15**

**Accountant's Acknowledgment**

The Board of Directors and Shareholders
PepsiCo, Inc.:

We hereby acknowledge our awareness of the use of our report dated April 23, 2015 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 21, 2015, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

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

<u>Form S-3</u>

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

<u>Form S-8</u>

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

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

/s/ KPMG LLP
New York, New York
April 23, 2015

**EXHIBIT 31**

## CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: April 23, 2015

/s/ Indra K. Nooyi

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

# CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: April 23, 2015

/s/ Hugh F. Johnston

Hugh F. Johnston
Executive Vice President and
Chief Financial Officer

**EXHIBIT 32**

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 21, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, Chairman of the Board of Directors and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: April 23, 2015

/s/ Indra K. Nooyi

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

---

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 21, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh F. Johnston, Executive Vice President and Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: April 23, 2015

/s/ Hugh F. Johnston

Hugh F. Johnston
Executive Vice President
and Chief Financial Officer