

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 28, 2013**  
**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-1183**



**PepsiCo, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**North Carolina**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-1584302**  
(I.R.S. Employer  
Identification No.)

**700 Anderson Hill Road, Purchase, New York**  
(Address of Principal Executive Offices)

**10577**  
(Zip Code)

**Registrant's telephone number, including area code: 914-253-2000**

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value 1-2/3 cents per share	New York and Chicago Stock Exchanges
2.5000% Senior Notes Due 2022	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of PepsiCo, Inc. Common Stock held by nonaffiliates of PepsiCo, Inc. (assuming for these purposes, but without conceding, that all executive officers and directors of PepsiCo, Inc. are affiliates of PepsiCo, Inc.) as of June 14, 2013, the last day of business of our most recently completed second fiscal quarter, was \$127,040,995,303 (based on the closing sale price of PepsiCo, Inc.'s Common Stock on that date as reported on the New York Stock Exchange).

The number of shares of PepsiCo, Inc. Common Stock outstanding as of February 6, 2014 was 1,522,465,786.

**Documents of Which Portions  
Are Incorporated by Reference**

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**Proxy Statement for PepsiCo, Inc.'s 2014  
Annual Meeting of Shareholders**

**Parts of Form 10-K into Which Portion of  
Documents Are Incorporated**

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**III**

**PepsiCo, Inc.**  
**Form 10-K Annual Report**  
**For the Fiscal Year Ended December 28, 2013**

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## Forward-Looking Statements

*This Annual Report on Form 10-K contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goals,” “guidance,” “intend,” “may,” “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. These risks and uncertainties include, but are not limited to, 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. 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. The discussion of risks below and elsewhere in this report is by no means all inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.*

## PART I

### Item 1. Business.

PepsiCo, Inc. was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986. When used in this report, the terms “we,” “us,” “our,” “PepsiCo” and the “Company” mean PepsiCo, Inc. and its consolidated subsidiaries.

We are a leading global food and beverage company with brands that are respected household names throughout the world. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, sell and distribute a wide variety of convenient and enjoyable foods and beverages, serving customers and consumers in more than 200 countries and territories.

Our management monitors a variety of key indicators to evaluate our business results and financial condition. These indicators include growth in volume, revenue and organic revenue, growth in operating profit and EPS (as reported and excluding certain items and the impact of foreign exchange translation), market share, safety, product and service quality, organizational health, brand equity, employee diversity, net commodity inflation, productivity savings, net capital spending, free cash flow and free cash flow excluding certain items, cash returned to shareholders in the forms of share repurchases and dividends, advertising and marketing expenses, return on invested capital (ROIC), and gross and operating margin change.

Performance with Purpose is our goal to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduce use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate. PepsiCo was again recognized for its leadership in this area in 2013 by earning a place on the prestigious Dow Jones Sustainability World Index for the seventh consecutive year and on the North America Index for the eighth consecutive year.

## **Our Operations**

We are organized into four business units, as follows:

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

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

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

See Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas.

### ***Frito-Lay North America***

Either independently or in conjunction with third parties, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips and Santitas tortilla chips. FLNA's branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads. FLNA's net revenue was \$14.1 billion, \$13.6 billion and \$13.3 billion in 2013, 2012 and 2011, respectively, and approximated 21% of our total net revenue in both 2013 and 2012 and 20% of our total net revenue in 2011.

### ***Quaker Foods North America***

Either independently or in conjunction with third parties, QFNA makes, markets, sells and distributes cereals, rice, pasta, dairy and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Cap'n Crunch cereal, Quaker grits, Life cereal, Rice-A-Roni side dishes, Quaker rice cakes, Quaker Oat Squares and Quaker Natural Granola. These branded products are sold to independent distributors and retailers. QFNA's net revenue was \$2.6 billion in both 2013 and 2012 and \$2.7 billion in 2011, and approximated 4% of our total net revenue in 2013, 2012 and 2011.

### ***Latin America Foods***

Either independently or in conjunction with third parties, LAF makes, markets, sells and distributes a number of snack food brands including Doritos, Marias Gamesa, Cheetos, Ruffles, Emperador, Saladitas, Sabritas, Elma Chips, Tostitos and Rosquinhas Mabel, as well as many Quaker-branded cereals and snacks. These branded products are sold to independent distributors and retailers. LAF's net revenue was \$8.3 billion, \$7.8

billion and \$7.2 billion in 2013, 2012 and 2011, respectively, and approximated 12% of our total net revenue in both 2013 and 2012 and 11% of our total net revenue 2011.

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

Either independently or in conjunction with third parties, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Mirinda. PAB also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea and coffee products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. Further, PAB manufactures and distributes certain brands licensed from Dr Pepper Snapple Group, Inc. (DPSG), including Dr Pepper, Crush and Schweppes, and certain juice brands licensed from Dole Food Company, Inc. (Dole) and Ocean Spray Cranberries, Inc. (Ocean Spray). PAB operates its own bottling plants and distribution facilities and sells branded finished goods directly to independent distributors and retailers. PAB also sells concentrate and finished goods for our brands to authorized and independent bottlers, who in turn also sell our brands as finished goods to independent distributors and retailers in certain markets. PAB's net revenue was \$21.1 billion, \$21.4 billion and \$22.4 billion in 2013, 2012 and 2011, respectively, and approximated 32%, 33% and 34% of our total net revenue in 2013, 2012 and 2011, respectively.

### ***Europe***

Either independently or in conjunction with third parties, Europe makes, markets, sells and distributes a number of leading snack food brands including Lay's, Walkers, Doritos, Cheetos and Ruffles, as well as many Quaker-branded cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or in conjunction with third parties, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Pepsi Max, 7UP, Diet Pepsi and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. Europe also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, Europe makes, markets, sells and distributes a number of leading dairy products including Domik v Derevne, Chudo and Agusha. Europe's net revenue was \$13.8 billion, \$13.4 billion and \$13.6 billion in 2013, 2012 and 2011, respectively, and approximated 21% of our total net revenue in 2013 and 20% of our total net revenue in both 2012 and 2011.

See Note 15 to our consolidated financial statements for additional information about our acquisition of Wimm-Bill-Dann Foods OJSC (WBD) in 2011.

### ***Asia, Middle East and Africa***

Either independently or in conjunction with third parties, AMEA makes, markets, sells and distributes a number of leading snack food brands including Lay's, Kurkure, Chipsy, Doritos, Cheetos and Smith's through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or in conjunction with third parties, AMEA makes, markets and sells many Quaker-branded cereals and snacks. AMEA also makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. AMEA also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). Further, we license the Tropicana brand for use in China on co-branded juice products to a strategic alliance with Tingyi (Cayman Islands)

Holding Corp. (Tingyi). AMEA's net revenue was \$6.5 billion, \$6.7 billion and \$7.4 billion in 2013, 2012 and 2011, respectively, and approximated 10% of our total net revenue in 2013 and 2012 and 11% of our total net revenue in 2011.

See Note 15 to our consolidated financial statements for additional information about our transaction with Tingyi in 2012.

### **Our Distribution Network**

Our products are brought to market through direct-store-delivery (DSD), customer warehouse and distributor networks. The distribution system used depends on customer needs, product characteristics and local trade practices. These distribution systems are described under the heading "Our Distribution Network" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

### **Ingredients and Other Supplies**

The principal ingredients we use in our food and beverage businesses are apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit and other fruits, oats, oranges, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include plastic resins, including polyethylene terephthalate (PET) and polypropylene resins used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities for us due to their use in our facilities and in the trucks delivering our products. We employ specialists to secure adequate supplies of many of these items and have not experienced any significant continuous shortages. Many of these ingredients, raw materials and commodities are purchased in the open market. The prices we pay for such items are subject to fluctuation, and we manage this risk through the use of fixed-price contracts and purchase orders, pricing agreements and derivatives. In addition, risk to our supply of certain raw materials is mitigated through purchases from multiple geographies and suppliers. When prices increase, we may or may not pass on such increases to our customers. See Note 10 to our consolidated financial statements for additional information on how we manage our exposure to commodity costs. See also "Item 1A. Risk Factors – Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies."

### **Our Brands**

We own numerous valuable trademarks which are essential to our worldwide businesses, including Agusha, Amp Energy, Aquafina, Aquafina Flavorsplash, Aunt Jemima, Cap'n Crunch, Cheetos, Chester's, Chipsy, Chudo, Cracker Jack, Diet Mountain Dew, Diet Mug, Diet Pepsi, Diet Sierra Mist, Domik v Derevne, Doritos, Duyvis, Elma Chips, Emperador, Frito-Lay, Fritos, Fruktovy Sad, Frustyle, Gatorade, G2, G Series, Grandma's, Imunele, Izze, Kurkure, Lay's, Life, Lubimy Sad, Manzanita Sol, Marias Gamesa, Matutano, Mirinda, Miss Vickie's, Mother's, Mountain Dew, Mountain Dew Code Red, Mountain Dew Kickstart, Mug, Munchies, Naked, Near East, O.N.E., Paso de los Toros, Pasta Roni, Pepsi, Pepsi Max, Pepsi Next, Propel, Quaker, Quaker Chewy, Rice-A-Roni, Rold Gold, Rosquinhas Mabel, Ruffles, Sabritas, Sakata, Saladitas, Sandora, Santitas, 7UP (outside the United States) and 7UP Free (outside the United States), Sierra Mist, Simba, Smartfood, Smith's, Snack a Jacks, SoBe, SoBe Lifewater, SoBe V Water, Sonric's, Stacy's, Sting, SunChips, Tonus, Tostitos, Trop 50, Tropicana, Tropicana Farmstand, Tropicana Pure Premium, Tropicana Twister, Vesely Molochnik, Walkers and Ya. We also hold long-term licenses to use valuable trademarks in connection with our products in certain markets, including Dole and Ocean Spray. We also distribute Rockstar Energy drinks, Muscle Milk protein shakes and certain DPSG brands, including Dr Pepper, Crush and Schweppes, in certain markets. Joint ventures in which we have an ownership interest either own or have the right to use certain trademarks, such as Lipton, Müller, Sabra and Starbucks. Trademarks remain valid so long as they are used properly for identification purposes, and we emphasize correct use of our trademarks. We have authorized, through licensing arrangements, the use of many of our trademarks in such contexts as

snack food joint ventures and beverage bottling appointments. In addition, we license the use of our trademarks on merchandise that is sold at retail for the primary purpose of enhancing brand awareness.

We either own or have licenses to use a number of patents which relate to some of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. Some of these patents are licensed to others.

### **Seasonality**

Our businesses are affected by seasonal variations. For instance, our beverage sales are higher during the warmer months and certain food and dairy sales are higher in the cooler months. Weekly beverage and snack sales are generally highest in the third quarter due to seasonal and holiday-related patterns, and generally lowest in the first quarter. However, taken as a whole, seasonality does not have a material impact on our consolidated financial results.

### **Our Customers**

Our primary customers include wholesale and other distributors, foodservice customers, grocery stores, drug stores, convenience stores, discount/dollar stores, mass merchandisers, membership stores and authorized independent bottlers. We normally grant our independent bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality. We also grant distribution rights to our independent bottlers for certain beverage products bearing our trademarks for specified geographic areas.

In 2013, sales to Wal-Mart Stores, Inc. (Wal-Mart), including Sam's Club (Sam's), represented approximately 11% of our total net revenue. Our top five retail customers represented approximately 30% of our 2013 North American (United States and Canada) net revenue, with Wal-Mart (including Sam's) representing approximately 17%. These percentages include concentrate sales to our independent bottlers which were used in finished goods sold by them to these retailers.

See "Our Customers" contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 to our consolidated financial statements for more information on our customers, including our independent bottlers.

### **Our Competition**

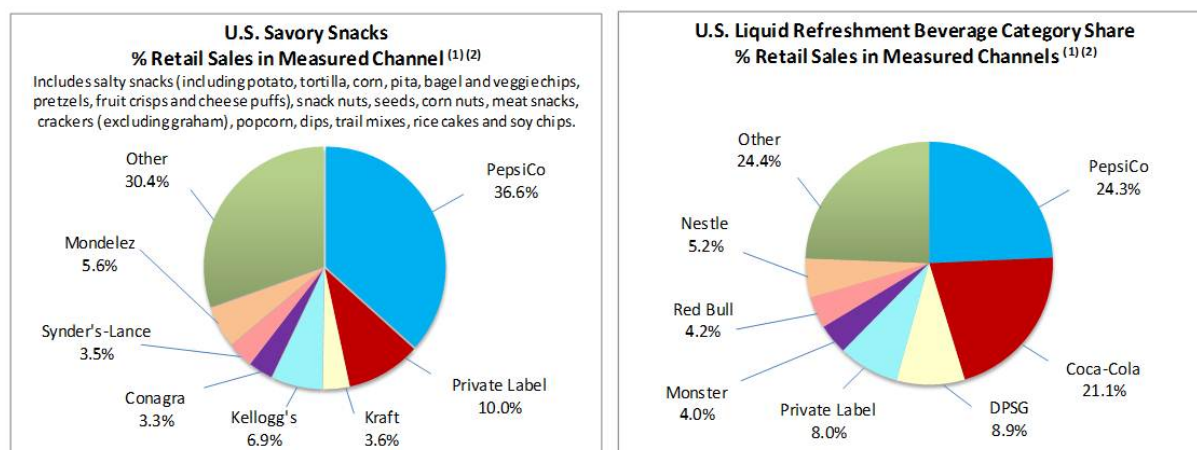
Our businesses operate in highly competitive markets. Our beverage, snack and food brands compete against global, regional, local and private label manufacturers and other value competitors. In many countries in which we do business, The Coca-Cola Company is our primary beverage competitor. Other food and beverage competitors include, but are not limited to, ConAgra Foods, Inc., DPSG, Kellogg Company, Kraft Foods Group, Inc., Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A., Red Bull GmbH and Snyder's-Lance, Inc. In many markets, we also compete against numerous regional and local companies.

Many of our snack and food brands hold significant leadership positions in the snack and food industry worldwide. However, The Coca-Cola Company has significant carbonated soft drink (CSD) share advantage in many markets outside the United States.

Our beverage, snack and food brands compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, introduction of new products and the effectiveness of our advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques, new vending and dispensing equipment



and brand and trademark development and protection. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allows us to compete effectively.



(1) The categories and category share information in the charts above are through December 2013 based on data provided and verified by Information Resources, Inc. (IRI). The above charts include data from most major retail chains (including Wal-Mart) but exclude data from certain retailers that do not report to this service.

(2) Does not sum due to rounding.

## Research and Development

We engage in a variety of research and development activities and continue to invest to accelerate growth in these activities and to drive innovation globally. These activities principally involve production, processing and packaging and include: development of new ingredients and products; reformulation of existing products; improvement in the quality of existing products; improvement and modernization of manufacturing processes; improvements in product quality, safety and integrity; improvements in packaging technology; improvements in dispensing equipment; development and implementation of new technologies to enhance the quality and value of current and proposed product lines; efforts focused on identifying opportunities to transform and grow our product portfolio, including the development of sweetener and flavor innovation and recipes that reduce sodium levels in certain of our products. Our research centers are located around the world, including in China, Germany, India, Mexico, Russia, Turkey, the United Kingdom and the United States, and leverage nutrition science, food science and consumer insights to meet our strategy to develop healthful, convenient foods and beverages. In 2013, we continued to expand our portfolio of nutritious foods and beverages that include fruits, vegetables, whole grains, low-fat dairy, nuts, seeds and key nutrients, as well as offerings that provide a functional benefit, such as addressing the performance needs of athletes. We continue to refine our food and beverage portfolio to meet changing consumer needs by developing a broader portfolio of product choices. We also made investments to minimize our impact on the environment, including innovation in our packaging to make it increasingly sustainable, and developed and implemented new technologies to enhance the quality and value of our current and future products, as well as made investments to incorporate into our operations best practices and technology to support sustainable agriculture and to reduce our impact on the environment. We continue to make investments to conserve energy and raw materials, reduce waste in our facilities, recycle containers, use renewable resources and optimize package design to use less materials. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were \$665 million in 2013, \$552 million in 2012 and \$525 million in 2011 and are reported within selling, general and administrative expenses.

## Regulatory Environment and Environmental Compliance

The conduct of our businesses, including the production, storage, distribution, sale, advertising, marketing, labeling, safety and health practices, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to laws and regulations administered by government entities and agencies outside the United States in markets in which our products are made, manufactured or sold. It is our policy to abide by the laws and regulations around the world that apply to our businesses.

We are required to comply with a variety of U.S. laws and regulations, including but not limited to: the Federal Food, Drug and Cosmetic Act and various state laws governing food safety; the Food Safety Modernization Act; the Occupational Safety and Health Act; the Clean Air Act; the Clean Water Act; the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Federal Motor Carrier Safety Act; the Lanham Act; various federal and state laws and regulations governing competition and trade practices; various federal and state laws and regulations governing our employment practices, including those related to equal employment opportunity, such as the Equal Employment Opportunity Act and the National Labor Relations Act; customs and foreign trade laws and regulations; and laws regulating sale of certain of our products in schools. In our business dealings, we are also required to comply with the Foreign Corrupt Practices Act and the Trade Sanctions Reform and Export Enhancement Act. We are also subject to various state and local statutes and regulations, including state consumer protection laws such as Proposition 65 in California which requires that, unless a safe harbor level exists and has been met, a specific warning appear on any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects. See also “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.”

We are also subject to numerous similar and other laws and regulations outside the U.S., including but not limited to laws and regulations governing food safety, health and safety, anti-corruption and data privacy. In many jurisdictions, compliance with competition is of special importance to us due to our competitive position in those jurisdictions as is compliance with the anti-corruption laws. We rely on legal and operational compliance programs, as well as in-house and outside counsel, to guide our businesses in complying with applicable laws and regulations of the countries in which we do business. See also “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.” and “Item 1A. Risk Factors – Our financial performance could be adversely affected if we are unable to grow our business in emerging and developing markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.”

Certain jurisdictions in which our products are sold have either imposed, or are considering imposing, taxes or other limitations on certain ingredients we use or products we sell. For example, certain federal, state and local governments in the United States, and in certain other countries in which our products are sold, including Mexico, have either imposed or are considering the imposition of taxes and other limitations on the sale of certain of our products, including certain of our products that exceed specified caloric contents or include specified ingredients such as caffeine. Certain of these governments are also considering proposals to require labeling of foods that are, or contain ingredients that are, genetically modified and to restrict the use of benefit programs, such as the Supplemental Nutrition Assistance Program, to purchase certain beverages and foods. In addition, legislation has been enacted in certain U.S. states and in certain other countries in which our products are sold that requires collection and recycling of containers or that prohibits the sale of our beverages in certain non-refillable containers, unless a deposit or other fee is charged. It is possible that similar or more restrictive legal requirements may be proposed or enacted in the future. See also “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.” and “Item 1A. Risk Factors – Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.”

The cost of compliance with U.S. and foreign laws does not have a material financial impact on our results of operations.

We are also subject to national and local environmental laws in the United States and in foreign countries in which we do business, including laws related to water consumption and treatment, wastewater discharge and air emissions. In the United States, our facilities must comply with the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act and other federal and state laws regarding handling, storage, release and disposal of wastes generated on-site and sent to third-party owned and operated off-site licensed facilities. Our policy is to meet all applicable environmental compliance requirements, and we have internal programs in place to enhance our global environmental compliance. We and our subsidiaries are subject to environmental remediation obligations in the normal course of business, as well as remediation and related indemnification obligations in connection with certain historical activities and contractual obligations, including those of businesses acquired by our subsidiaries. While these environmental and indemnification obligations cannot be predicted with certainty, environmental compliance costs have not had, and are not expected to have, a material impact on our capital expenditures, earnings or competitive position. See also “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.”

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 that occurred during our 2013 fiscal year. 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. In 2012, our foreign subsidiary took steps to close its office in Iran, including terminating all three of its employees, and the office has ceased all commercial activity since the enactment of ITRA. During 2013, our foreign subsidiary continued the process of winding down its office in Iran pursuant to a general license from the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) until the expiration of such license in March 2013. The subsidiary did not engage in any activities in Iran other than wind-down activities in 2013, or have any revenues or profits attributable to activities in Iran during 2013. The office of the subsidiary continues to have one local bank account, containing aggregate deposits of approximately \$180, with a bank identified on the list of “Specially Designated Nationals” maintained by OFAC. The subsidiary has applied for a license from OFAC to authorize continuation and completion of wind-down, including closing the bank account, and plans to resume and complete such wind-down activities upon receipt thereof.

## **Employees**

As of December 28, 2013, we employed approximately 274,000 people worldwide, including approximately 106,000 people within the United States. Our employment levels are subject to seasonal variations. We or our subsidiaries are a party to numerous collective bargaining agreements. We expect that we will be able to renegotiate these collective bargaining agreements on satisfactory terms when they expire. We believe that relations with our employees are generally good.

## Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are also available free of charge on our Internet site at <http://www.pepsico.com> as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on our website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

## Item 1A. Risk Factors.

In addition to the other information set forth in this Annual Report on Form 10-K, you should carefully consider the following factors which could have a material adverse effect on our business, financial condition, results of operations or stock price. The risks below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition, results of operations or stock price.

***Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate or market our products effectively.***

We are a global food and beverage company operating in highly competitive categories and we rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Any significant changes in consumer preferences or any inability on our part to anticipate or react to such changes could result in reduced demand for our products and erosion of our competitive and financial position. Our success depends on: our ability to anticipate and respond to shifts in consumer trends, including increased demand for products that meet the needs of consumers who are concerned with health and wellness; our product quality; our ability to extend our portfolio of convenient foods and beverages in growing markets; our ability to develop or acquire new products that are responsive to certain consumer preferences, including reducing sodium, added sugars and saturated fat; developing a broader portfolio of product choices and increasing non-carbonated beverage offerings; our ability to develop sweetener innovation; our ability to improve the production and packaging of our products; and our ability to respond to competitive product and pricing pressures. For example, our growth rate may be adversely affected if we are unable to maintain or grow our current share of the liquid refreshment beverage market in North America, or our current share of the snacks market globally, or if demand for our products does not grow in emerging and developing markets.

In general, changes in product category consumption or consumer demographics could result in reduced demand for our products. Consumer preferences may shift due to a variety of factors, including the aging of the general population; consumer concerns regarding the health effects of ingredients, such as 4-MeI, acrylamide, artificial sweeteners, caffeine, high-fructose corn syrup, saturated fat, trans fats, sodium, sugar, or other product ingredients or attributes, including genetically modified ingredients; changes in product packaging, including convenience packaging; changes in social trends that impact travel, vacation or leisure activity patterns; changes in weather patterns or seasonal consumption cycles; negative publicity (whether or not valid) resulting from regulatory action, litigation against us or other companies in our industry or

negative or inaccurate posts or comments in the media, including social media, about us, our products or advertising campaigns and marketing programs; consumer perception of social media posts or other information disseminated by us or our employees, agents, customers, suppliers, bottlers, distributors, joint venture partners or other third parties; a downturn in economic conditions; taxes imposed on our products; or consumer perception of our employees, agents, customers, suppliers, bottlers, joint venture partners or other third parties or the business practices of such parties. Any of these changes may reduce consumers' willingness to purchase our products. See also "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.", "Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.", "Our financial performance could suffer if we are unable to compete effectively.", "Unfavorable economic conditions may have an adverse impact on our business results or financial condition." and "Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations."

Our continued success is also dependent on our product innovation, including maintaining a robust pipeline of new products and improving the quality of existing products, and the effectiveness of our product packaging, advertising campaigns and marketing programs, including our ability to successfully adapt to a rapidly changing media environment, such as through use of social media and online advertising campaigns and marketing programs. Although we devote significant resources to the actions mentioned above, there can be no assurance as to our continued ability to develop and launch successful new products or variants of existing products or to effectively execute advertising campaigns and marketing programs. In addition, both the launch and ongoing success of new products and advertising campaigns and marketing programs are inherently uncertain, especially as to their appeal to consumers. Our failure to make the right strategic investments to drive innovation or successfully launch new products or variants of existing products could decrease demand for our existing products by negatively affecting consumer perception of existing brands, as well as result in inventory write-offs and other costs. See also "Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations."

***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.***

The conduct of our businesses, including the production, storage, distribution, sale, display, advertising, marketing, labeling, health and safety practices, transportation and use of many of our products, are subject to various laws and regulations administered by federal, state and local governmental agencies in the United States, as well as to laws and regulations administered by government entities and agencies outside the United States in markets in which our products are made, manufactured or sold, including in emerging and developing markets where legal and regulatory systems may be less developed, and in some cases, less certain. These laws and regulations and interpretations thereof may change, sometimes dramatically, as a result of a variety of factors, including political, economic or social events. Such changes may include changes in: food and drug laws; laws related to product labeling, advertising and marketing practices; laws regarding the import or export of our products or ingredients used in our products; laws and programs restricting the sale and advertising of certain of our products; laws and programs aimed at reducing, restricting or eliminating ingredients present in certain of our products; laws and programs aimed at discouraging the consumption or altering the package or portion size of certain of our products, including laws imposing restrictions on the use of government programs, such as the Supplemental Nutrition Assistance Program, to purchase certain of our products; increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the effects on health of ingredients in, or attributes of, certain of our products, including without limitation those found in energy drinks; state consumer protection laws; taxation requirements, including the imposition or proposed imposition of new or increased taxes or other limitations on the sale of our products; competition laws; anti-corruption laws; employment laws; privacy laws; laws regulating

the price we may charge for our products; laws regulating access to and use of water or utilities; and environmental laws, including laws relating to the regulation of water rights and treatment and wastewater discharge. New laws, regulations or governmental policy and their related interpretations, or changes in any of the foregoing, including taxes or other limitations on the sale of our products, ingredients contained in our products or commodities used in the production of our products, may alter the environment in which we do business and, therefore, may impact our results or increase our costs or liabilities.

Governmental entities or agencies in jurisdictions where our products are made, manufactured or sold may also impose new labeling, product or production requirements, or other restrictions. If one jurisdiction imposes or proposes to impose new requirements or restrictions, other jurisdictions may follow and the requirements or restrictions, or proposed requirements or restrictions, may result in adverse publicity (whether or not valid). For example, if the State of California requires a specific warning on any product that contains certain ingredients or substances, other jurisdictions may react and impose restrictions on products containing the same ingredients or substances which may result in adverse publicity or increased concerns about the health implications of consumption of such products (whether or not valid). In addition, studies are underway by third parties to assess the health implications of consumption of certain ingredients or substances present in certain of our products, including 4-MeI, acrylamide and sugar. If consumer concerns, whether or not valid, about the health implications of consumption of ingredients or substances present in certain of our products increase as a result of these studies, other new scientific evidence, new labeling, product or production requirements or other restrictions, or for any other reason, including adverse publicity as a result of any such new requirements, or if we are required to add warning labels to any of our products or place warnings in locations where our products are sold, demand for our products could decline, and we could be subject to lawsuits or new regulations that could affect sales of our products, any of which could have an adverse effect on our business, financial condition or results of operations. See also “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.”, “Our financial performance could suffer if we are unable to compete effectively.” and “Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.”

In many jurisdictions, compliance with competition is of special importance to us due to our competitive position in those jurisdictions as is compliance with anti-corruption laws. Regulatory authorities under whose laws we operate may also have enforcement powers that can subject us to actions such as product recall, seizure of products or other sanctions, which could have an adverse effect on our sales or damage our reputation. Although we have policies and procedures in place that are designed to promote legal and regulatory compliance, our employees or suppliers could take actions that violate these policies and procedures or applicable laws or regulations. Violations of these laws or regulations could subject us to criminal or civil enforcement actions or financial penalties which could have a material adverse effect on our business.

In addition, we and our subsidiaries are party to a variety of legal and environmental remediation obligations arising in the normal course of business, as well as environmental remediation, product liability, toxic tort and related indemnification proceedings in connection with certain historical activities and contractual obligations, including those of businesses acquired by our subsidiaries. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants on current and former properties of ours and our subsidiaries, the potential exists for remediation, liability and indemnification costs to differ materially from the costs we have estimated. We cannot guarantee that our costs in relation to these matters will not exceed our established liabilities or otherwise have an adverse effect on our results of operations.

See also “Item 1. Business - Regulatory Environment and Environmental Compliance.”, “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.” and “Our financial performance could be adversely affected if we are unable to grow our



business in emerging and developing markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.”

***Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.***

Our products are sold in more than 200 countries and territories. As such, we are subject to tax laws and regulations of various federal, state and local governments in the United States, as well as to tax laws and regulations outside the United States. The imposition or proposed imposition of new or increased taxes or other limitations on the sale of our products, ingredients contained in our products or commodities used in the production of our products, could increase the cost of our products, reduce overall consumption of our products, lead to negative publicity (whether or not valid) or leave consumers with the perception that our products do not meet their health and wellness needs, resulting in an adverse impact on our financial performance. For example, Mexico recently imposed a tax on sugar-sweetened beverages and a tax on certain foods that exceed specified caloric contents, and other jurisdictions have imposed or are considering the imposition of taxes and other limitations on the sale of certain of our products. If one jurisdiction imposes new or increased taxes, or withdraws tax benefits, other jurisdictions may follow.

In addition, we are subject to regular reviews, examinations and audits by the Internal Revenue Service (IRS) and other taxing authorities with respect to income and non-income based taxes both within and outside the United States. Economic and political pressures to increase tax revenues in jurisdictions in which we operate may make resolving tax disputes more difficult and the final resolution of tax audits and any related litigation could differ from our historical provisions and accruals resulting in an adverse impact on our financial performance.

Our operations outside the United States generate a significant portion of our net revenue and repatriation of foreign earnings to the United States, or changes in how United States multinational corporations are taxed on foreign earnings, could adversely affect our financial performance. See also “Item 1. Business - Regulatory Environment and Environmental Compliance.” and “Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate or market our products effectively.”, “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.”, “Our financial performance could be adversely affected if we are unable to grow our business in emerging and developing markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.” and “Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.”

***Our financial performance could suffer if we are unable to compete effectively.***

The food, snack and beverage industries in which we operate are highly competitive. We compete with major international food, snack and beverage companies that, like us, operate in multiple geographic areas, as well as regional, local and private label manufacturers and other value competitors. We compete with other large companies in each of the food, snack and beverage categories, including The Coca-Cola Company, ConAgra Foods, Inc., DPSG, Kellogg Company, Kraft Foods Group, Inc., Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A., Red Bull GmbH and Snyder’s-Lance, Inc. In many countries where we do business, including the United States, our primary beverage competitor is The Coca-Cola Company. We compete on the basis of brand recognition, taste, price, quality, product variety, distribution, marketing and promotional activity, packaging, convenience, service and the ability to identify and satisfy consumer preferences. If we are unable to compete effectively, we may be unable to grow or maintain sales or gross margins in the global market or in various local markets. This may have a material adverse impact on our

revenues and profit margins. See also “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.”

***Our financial performance could be adversely affected if we are unable to grow our business in emerging and developing markets or as a result of unstable political conditions, civil unrest or other developments and risks in the markets where our products are sold.***

Our operations outside of the United States, particularly in Russia, Mexico, Canada, the United Kingdom and Brazil, contribute significantly to our revenue and profitability, and we believe that these countries and emerging and developing markets, particularly China and India, and the Latin America, Africa and Middle East regions, present important future growth opportunities for us. However, there can be no assurance that our existing products, variants of our existing products or new products that we make, manufacture, market or sell will be accepted or successful in any particular emerging or developing market, due to local or global competition, product price, cultural differences or otherwise. If we are unable to expand our businesses in emerging and developing markets, or achieve the return on capital we expect as a result of our investments as a result of economic and political conditions, increased competition, reduced demand for our products, a slow down in growth in these markets and the related impact on other countries who export to these markets, imposition of new or increased sanctions against, or other regulations restricting contact with, countries in these markets, an inability to acquire or form strategic business alliances or to make necessary infrastructure investments or for any other reason, our financial performance could be adversely affected. Unstable economic or political conditions, civil unrest or other developments and risks in the markets where our products are sold, including in Mexico, Venezuela, the Middle East, including Egypt, could also have an adverse impact on our business results or financial condition. Factors that could adversely affect our business results in these markets include: foreign ownership restrictions; nationalization of our assets; restrictions on the import of ingredients used in our products; restrictions on the import or export of our products; regulations on the transfer of funds to and from foreign countries, which, from time to time, result in significant cash balances in foreign countries such as Venezuela, and on the repatriation of funds currently held in foreign jurisdictions to the United States; highly inflationary currency, devaluation or fluctuation, such as the devaluation of the Venezuelan bolivar, Argentine peso or Turkish lira; the lack of well-established or reliable legal systems; imposition of new or increased labeling, product or production requirements, or other restrictions; and increased costs of business due to compliance with complex foreign and United States laws and regulations that apply to our international operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and the Trade Sanctions Reform and Export Enhancement Act, and adverse consequences, such as the assessment of fines or penalties, for failing to comply with these laws and regulations. In addition, disruption in these markets due to political instability or civil unrest could result in a decline in consumer purchasing power, thereby reducing demand for our products. See also “Item 1. Business - Regulatory Environment and Environmental Compliance.”, “Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate or market our products effectively.”, “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.”, “Our financial performance could suffer if we are unable to compete effectively.”, “Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.” and “Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations, or to complete or manage divestitures or refranchisings, could have an adverse impact on our business, financial condition and results of operations.”



***Unfavorable economic conditions may have an adverse impact on our business results or financial condition.***

Many of the countries in which we operate, including the United States and several of the members of the European Union, have experienced and continue to experience unfavorable economic conditions. Our business or financial results may be adversely impacted by these unfavorable economic conditions, including: adverse changes in interest rates, tax laws or tax rates; volatile commodity markets and inflation; contraction in the availability of credit in the marketplace due to legislation or other economic conditions such as the European sovereign debt crisis, which may potentially impair our ability to access the capital markets on terms commercially acceptable to us or at all; the effects of government initiatives to manage economic conditions, including changes to or cessation of any such initiatives; reduced demand for our products resulting from a slow-down in the general global economy or a shift in consumer preferences for economic reasons or otherwise to regional, local or private label products or other economy products, or to less profitable channels; impairment of assets; or a decrease in the fair value of pension or post-retirement assets that could increase future employee benefit costs and/or funding requirements of our pension or post-retirement plans. In addition, we cannot predict how current or worsening economic conditions will affect our critical customers, suppliers, bottlers, distributors, joint venture partners or other third parties and any negative impact on any of the foregoing may also have an adverse impact on our business results or financial condition. In addition, some of the major financial institutions with which we execute transactions, including U.S. and non-U.S. commercial banks, insurance companies, investment banks and other financial institutions, may be exposed to a ratings downgrade, bankruptcy, liquidity, default or similar risks as a result of unfavorable economic conditions. A ratings downgrade, bankruptcy, receivership, default or similar event involving a major financial institution may limit the availability of credit or willingness of financial institutions to extend credit on terms commercially acceptable to us or at all or, with respect to financial institutions who are parties to our financing arrangements, leave us with reduced borrowing capacity or unhedged against certain currencies or price risk associated with forecasted purchases of raw materials which could have an adverse impact on our business results or financial condition. See also “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.”

***Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies.***

We and our business partners use various raw materials and other supplies in our business. The principal ingredients we use include apple, orange and pineapple juice and other juice concentrates, aspartame, corn, corn sweeteners, flavorings, flour, grapefruit and other fruits, oats, oranges, potatoes, raw milk, rice, seasonings, sucralose, sugar, vegetable and essential oils, and wheat. Our key packaging materials include plastic resins, including PET and polypropylene resin used for plastic beverage bottles and film packaging used for snack foods, aluminum used for cans, glass bottles, closures, cardboard and paperboard cartons. Fuel and natural gas are also important commodities for us due to their use in our facilities and in the trucks delivering our products. Some of these raw materials and supplies are sourced internationally and some are available from a limited number of suppliers or are in short supply when seasonal demand is at its peak. We are exposed to the market risks arising from adverse changes in commodity prices, affecting the cost of our raw materials and energy, including fuel. The raw materials and energy which we use for the production of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental incentives and controls. We purchase these materials and energy mainly in the open market. If commodity price changes result in unexpected increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating results. In addition, we use derivatives to hedge price risk associated with forecasted purchases of certain raw materials and energy, including fuel. Certain of these derivatives that do not qualify for hedge accounting treatment

can result in increased volatility in our net earnings in any given period due to changes in the spot prices of the underlying commodities. See also “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.”, “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.”, “Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.” and “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 10 to our consolidated financial statements.

***Failure to realize anticipated benefits from our productivity initiatives or global operating model could have an adverse impact on our business, financial condition and results of operations.***

Our productivity initiatives help fund our growth initiatives and contribute to our results of operations. We are implementing strategic plans that we believe will position our business for future success and growth by allowing us to achieve a lower cost structure and operate more efficiently in the highly competitive food, snack and beverage industries. In order to capitalize on our cost reduction efforts, it will be necessary to make certain investments in our business, which may be limited due to capital constraints. In addition, it is critical that we have the appropriate personnel in place to continue to lead and execute our plans. Our future success and earnings growth depends in part on our ability to reduce costs and improve efficiencies. If we are unable to successfully implement our productivity initiatives, fail to implement these initiatives as timely as we anticipate or fail to identify and implement additional productivity opportunities in the future, our business, financial condition and results of operations could be adversely impacted. In addition, we continue to implement our global operating model to improve efficiency, decision making, innovation and brand management across the global PepsiCo organization. If we are unable to implement this model effectively, it may have a negative impact on our ability to deliver sustained or breakthrough innovation or to otherwise compete effectively.

***Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.***

Our ability, and that of our suppliers, third parties, including our independent bottlers, contract manufacturers, joint venture partners, independent distributors and retailers, to make, manufacture, distribute and sell products is critical to our success. Damage or disruption to our or their manufacturing or transportation and distribution capabilities due to any of the following could impair the ability to make, manufacture, transport, distribute or sell our products: adverse weather conditions or natural disaster, such as a hurricane, earthquake or flooding; government action; fire; terrorism; outbreak or escalation of armed hostilities; pandemic; industrial accidents or other occupational health and safety issues; strikes and other labor disputes; or other reasons beyond our control or the control of our suppliers and business partners. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

***Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.***

Maintaining a good reputation globally is critical to selling our branded products. Product contamination or tampering, the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations of product quality issues, mislabeling, misbranding, spoilage, allergens or contamination, even if untrue, may reduce demand for our products or cause production and delivery disruptions. If any of our products are mislabeled or become unfit for consumption, causes injury, illness or death, we may have to engage in a product recall and/or be subject

to liability or government action, which could result in payment of damages or fines. A product recall or a product liability issue could cause certain of our products to be unavailable for a period of time, which could reduce consumer demand and brand equity. We could also be adversely affected if consumers lose confidence in product quality, safety and integrity generally. In addition, we operate globally, which requires us to comply with numerous local regulations, including, without limitation, anti-corruption laws, competition laws and the tax laws and regulations of the jurisdictions in which our products are sold. In the event that our employees engage in improper activities abroad, we may be subject to enforcement actions, litigation, loss of sales or other consequences which may cause us to suffer damage to our reputation in the United States and abroad. Our reputation could also be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social and environmental practices for all of our operations and activities; the failure to achieve our goal of continuing to refine our food and beverage choices to meet changing consumer demands by reducing sodium, added sugars and saturated fat and developing a broader portfolio of product choices; health concerns (whether or not valid) about our products or particular ingredients in our products, including whether certain of our products contribute to obesity; the imposition or proposed imposition of new or increased taxes or other limitations on the sale or advertising of our products; our research and development efforts; our environmental impact, including use of agricultural materials, packaging, water, energy use and waste management; the practices of our employees, agents, customers, distributors, suppliers, bottlers, joint venture partners or other third parties with respect to any of the foregoing; any failure to comply, or perception of a failure to comply, with our policies and statements, including those regarding advertising to children; consumer perception of our advertising campaigns or marketing programs; consumer perception of our use of social media; or our responses to any of the foregoing or negative publicity as a result of any of the foregoing. The rising popularity of social media and other consumer-oriented technologies has increased the speed and accessibility of information dissemination, and, as a result, negative or inaccurate posts or comments about us, our products or advertising campaigns and marketing programs, and consumer perception of posts or other information disseminated by us or our employees, agents, customers, suppliers, bottlers, distributors, joint venture partners or other third parties, may also generate adverse publicity that could damage our reputation. In addition, water is a limited resource in many parts of the world and demand for water continues to increase. Our reputation could be damaged if we or others in our industry do not act, or are perceived not to act, responsibly with respect to water use. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation. See also “Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate or market our products effectively.”, “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.” and “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.”

***Failure to successfully complete or integrate acquisitions and joint ventures into our existing operations, or to complete or manage divestitures or refranchisings, could have an adverse impact on our business, financial condition and results of operations.***

We regularly evaluate potential acquisitions, joint ventures, divestitures and refranchisings. Potential issues associated with these activities could include, among other things: our ability to realize the full extent of the benefits or cost savings that we expect to realize as a result of the completion of an acquisition, divestiture or refranchising, or the formation of a joint venture, within the anticipated time frame, or at all; receipt of necessary consents, clearances and approvals in connection with an acquisition, joint venture, divestiture or refranchising; and diversion of management’s attention from day-to-day operations. With respect to

acquisitions, the following also pose potential risks: our ability to successfully combine our businesses with the business of the acquired company, including integrating the manufacturing, distribution, sales and administrative support activities and information technology systems between us and the acquired company and our ability to successfully operate in new categories or territories; motivating, recruiting and retaining executives and key employees; conforming standards, controls (including internal control over financial reporting, environmental compliance and health and safety compliance), procedures and policies, business cultures and compensation structures between us and the acquired company; consolidating and streamlining corporate and administrative infrastructures; consolidating sales and marketing operations; retaining existing customers and attracting new customers; identifying and eliminating redundant and underperforming operations and assets; coordinating geographically dispersed organizations; and managing tax costs or inefficiencies associated with integrating our operations following completion of the acquisitions. With respect to joint ventures, we share ownership and management responsibility with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do and joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. In addition, acquisitions and joint ventures outside of the United States increase our exposure to risks associated with operations outside of the United States, including fluctuations in exchange rates and compliance with the Foreign Corrupt Practices Act and other anti-corruption and anti-bribery laws, and laws and regulations outside the United States. With respect to divestitures and refranchisings, we may not be able to complete such transactions on terms commercially favorable to us or at all. Further, as divestitures and refranchisings may reduce our direct control over certain aspects of our business, any failure to maintain good relations with divested or refranchised businesses in our supply or sales chain may adversely impact sales or business performance. If an acquisition or joint venture is not successfully completed or integrated into our existing operations, or if a divestiture or refranchising is not successfully completed or managed or does not result in the benefits we expect, our business, financial condition and results of operations could be adversely impacted.

***If we are unable to hire or retain key employees or a highly skilled and diverse workforce, it could have a negative impact on our business.***

Our continued growth requires us to hire, retain and develop our leadership bench and a highly skilled and diverse workforce. We compete to hire new employees and then must train them and develop their skills and competencies. Any unplanned turnover or our failure to develop an adequate succession plan to backfill current leadership positions, including our Chief Executive Officer, or to hire and retain a diverse workforce could deplete our institutional knowledge base and erode our competitive advantage. In addition, our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs.

***Trade consolidation or the loss of any key customer could adversely affect our financial performance.***

We must maintain mutually beneficial relationships with our key customers, including Wal-Mart, as well as other retailers, to effectively compete. The loss of any of our key customers, including Wal-Mart, could have an adverse effect on our financial performance. In addition, our industry has been affected by increasing concentration of retail ownership, particularly in North America and Europe, which may impact our ability to compete as such retailers may demand lower pricing and increased promotional programs. Further, should larger retailers increase utilization of their own distribution networks and private label brands, the competitive advantages we derive from our go-to-market systems and brand equity may be eroded. Failure to appropriately respond to any such actions or to offer effective sales incentives and marketing programs to our customers could reduce our ability to secure adequate shelf space at our retailers and adversely affect our financial performance.

***Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.***

We expect to maintain Tier 1 commercial paper access which we believe will ensure appropriate financial flexibility and ready access to global credit markets at favorable interest rates. Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether 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. Our borrowing costs and access to the commercial paper market could also be adversely affected if a credit rating agency announces that our ratings are under review for a potential downgrade. See also “Our Liquidity and Capital Resources” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

***Our business could suffer if we are unable to protect our information systems against a cybersecurity incident.***

Our information systems could be compromised by unauthorized outside parties intent on extracting sensitive data or confidential information, corrupting information or disrupting business processes or by inadvertent or intentional actions by our employees or vendors. A cybersecurity incident resulting in a security breach, or failure to identify a cybersecurity threat, could disrupt our business and could result in the loss of sensitive data, confidential information or other assets as well as litigation, regulatory enforcement, violation of data privacy and security laws and regulations, remediation costs, damage to our reputation and loss of revenue resulting from unauthorized use of confidential information or failure to retain or attract customers and consumers following such an incident. See also “Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.” and “If we are not able to build and sustain proper information technology infrastructure, successfully implement our ongoing business transformation initiative or share services for certain functions effectively, our business could suffer.”

***If we are not able to build and sustain proper information technology infrastructure, successfully implement our ongoing business transformation initiative or share services for certain functions effectively, our business could suffer.***

We depend on information technology, including cloud-based services, to enable and improve the effectiveness of our operations, to interface with our customers and consumers, to order and manage materials from suppliers, to maintain financial accuracy and efficiency, to comply with regulatory, financial reporting, legal and tax requirements, to collect and store sensitive data or confidential information and for digital marketing activities and electronic communication among our global operations and between our employees and the employees of our independent bottlers, contract manufacturers, joint ventures, suppliers and other third parties. If we do not allocate and effectively manage the resources necessary to build and sustain the proper information technology infrastructure, or if our systems are damaged, destroyed or shut down as a result of natural disasters, software, equipment or telecommunications failures, malicious or disruptive software, hackers or otherwise, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, the loss of or damage to intellectual property, damage to our reputation, or the loss of sensitive or confidential data through security breach or otherwise.

We have embarked on a multi-year business transformation initiative to migrate certain of our financial processing systems to enterprise-wide systems solutions. There can be no certainty that this initiative will deliver the expected benefits. The failure to deliver the expected benefits may impact our ability to process transactions accurately and efficiently and remain in step with the changing needs of the trade, which could

result in the loss of customers. In addition, the failure to either deliver the applications on time, or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers and revenue.

We have entered into agreements to share certain information technology support services and administrative functions, such as payroll processing, benefit plan administration and certain finance and accounting functions, to third-party service providers and may enter into agreements to share services for other functions in the future to achieve cost savings and efficiencies. If these service providers do not perform, or do not perform effectively, we may not be able to achieve the expected cost savings and may have to incur additional costs to correct errors made by such service providers and our reputation could be harmed. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property or sensitive data through security breach or otherwise, litigation or remediation costs, or damage to our reputation and could have a negative impact on employee morale. See also “Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.” and “Our business could suffer if we are unable to protect our information systems against a cybersecurity incident.”

***Fluctuations in exchange rates may have an adverse impact on our business results or financial condition.***

We hold assets and incur liabilities, earn revenues and pay expenses in a variety of currencies other than the U.S. dollar. Because our consolidated financial statements are presented in U.S. dollars, the financial statements of our subsidiaries outside the United States are translated into U.S. dollars. Our operations outside of the U.S. generate a significant portion of our net revenue. Fluctuations in exchange rates may therefore adversely impact our business results or financial condition. See also “Market Risks” contained in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1 and 10 to our consolidated financial statements.

***Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business and operations.***

There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as sugar cane, corn, wheat, rice, oats, potatoes and various fruits. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain. The increasing concern over climate change also may result in new or increased regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is more aggressive than the measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, thereby substantially increasing the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and operations. See also “Demand for our products may be adversely affected by changes in consumer preferences or any inability on our part to innovate or market our products effectively.”, “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.”, “Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials and other supplies.”



and “Disruption of our supply chain could have an adverse impact on our business, financial condition and results of operations.”

***A portion of our workforce belongs to unions. Failure to successfully negotiate collective bargaining agreements, or strikes or work stoppages could cause our business to suffer.***

Many of our employees are covered by collective bargaining agreements and other employees may seek to be covered by collective bargaining agreements. Strikes or work stoppages and interruptions could occur if we are unable to renew these agreements on satisfactory terms or enter into new agreements on satisfactory terms, which could adversely impact our operating results. The terms and conditions of existing, renegotiated or new agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

***Our intellectual property rights could be infringed or challenged and reduce the value of our products and brands and have an adverse impact on our business, financial condition and results of operations.***

We possess intellectual property rights that are important to our business. These intellectual property rights include ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets that are important to our business and relate to a variety of our products, their packaging, the processes for their production and the design and operation of various equipment used in our businesses. We protect our intellectual property rights globally through a combination of trademark, copyright, patent and trade secret laws, third-party assignment and nondisclosure agreements and monitoring of third-party misuses of our intellectual property. If we fail to obtain or adequately protect our ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets, or if there is a change in law that limits or removes the current legal protections of our intellectual property, the value of our products and brands could be reduced and there could be an adverse impact on our business, financial condition and results of operations. See also “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.”

***Potential liabilities and costs from litigation or legal proceedings could have an adverse impact on our business, financial condition and results of operations.***

We and our subsidiaries are party to a variety of legal claims and proceedings in the ordinary course of business, including but not limited to litigation related to our advertising, marketing or commercial practices, product labels, claims and ingredients and environmental and insurance matters. Since litigation is inherently uncertain, there is no guarantee that we will be successful in defending ourselves against such claims or proceedings, or that management’s assessment of the materiality of these matters, including the reserves taken in connection therewith, will be consistent with the ultimate outcome of such claims or proceedings. In the event that management’s assessment of materiality of current claims and proceedings proves inaccurate or litigation that is material arises in the future, there may be a material adverse effect on our consolidated financial statements, results of operations or cash flows. See also “Any damage to our reputation could have a material adverse effect on our business, financial condition and results of operations.”

***Many factors may adversely affect the price of our common stock and our financial performance.***

Many factors may adversely affect the price of our common stock and our financial performance. Such factors, some of which are beyond our control, may include, but are not limited to: unfavorable economic conditions; changes in financial or tax reporting and changes in accounting principles or practices that materially affect our reported financial condition and results and investor perceptions of our performance; actions by shareholders or others seeking to influence our business strategies; and the impact of our share repurchase program. In addition, corporate actions, such as those we may or may not take from time to time as part of our continuous review of our corporate structure, including as a result of business, legal and tax

considerations, may not have the impact we intend and may adversely affect the price of our common stock and our financial performance. The above factors, as well as other risks included in this Item 1A. Risk Factors, could adversely affect the price of our common stock and our financial performance.

#### **Item 1B. Unresolved Staff Comments.**

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2013 fiscal year and that remain unresolved.

#### **Item 2. Properties.**

Our most significant corporate properties include our corporate headquarters building in Purchase, New York and our data center in Plano, Texas, both of which are owned. Our corporate headquarters are undergoing renovations to improve technology and energy efficiency, and to make necessary infrastructure repairs and improvements, are ongoing. Leases of plants in North America generally are on a long-term basis, expiring at various times, with options to renew for additional periods. Most international plants are owned or leased on a long-term basis. Furthermore, except as disclosed above, we believe that our properties generally are in good operating condition and are suitable for the purposes for which they are being used.

##### ***Frito-Lay North America***

FLNA's most significant properties include its headquarters building and a research facility in Plano, Texas, both of which are owned. FLNA also owns or leases approximately 40 food manufacturing and processing plants and approximately 1,710 warehouses, distribution centers and offices. FLNA's joint venture with Strauss Group also utilizes three plant facilities and one office, all of which are owned or leased by the joint venture.

##### ***Quaker Foods North America***

QFNA owns a plant in Cedar Rapids, Iowa, which is its most significant property, as well as an office building it shares with PAB in downtown Chicago, Illinois. QFNA also owns four plants and production processing facilities and leases one office and one distribution center in North America.

##### ***Latin America Foods***

LAF's most significant properties include four snack manufacturing plants in Brazil (Guarulhos) and the Mexican cities of Celaya, Monterrey and Mexico City (Vallejo), all of which are owned. LAF also owns or leases approximately 50 food manufacturing and processing plants and approximately 640 warehouses, distribution centers and offices.

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

PAB's most significant properties include its headquarters building in Somers, New York, an office building it shares with QFNA in downtown Chicago, Illinois and a shared service center it shares with certain other divisions in Winston-Salem, North Carolina, all of which are leased, and its Tropicana facility in Bradenton, Florida, its concentrate plants in Cork, Ireland and its research and development facility in Valhalla, New York, all of which are owned. PAB also owns or leases approximately 80 bottling and production plants and production processing facilities and approximately 470 warehouses, distribution centers and offices.

##### ***Europe***

Europe's most significant properties are its snack manufacturing and processing plant located in Leicester, United Kingdom, which is leased, and its snack research and development facility in Leicester, United Kingdom, its beverage plant in Lebedyan, Russia and its dairy plant in Moscow, Russia, all of which are



owned. Europe also owns or leases approximately 125 plants and approximately 525 warehouses, distribution centers and offices.

### ***Asia, Middle East and Africa***

AMEA's most significant properties are its beverage plants located in Sixth of October City, Egypt, Rayong, Thailand and Amman, Jordan, and its snack manufacturing and processing plants located in Sixth of October City, Egypt, which are owned, and Riyadh, Saudi Arabia, which is leased. AMEA also owns or leases approximately 45 plants and approximately 490 distribution centers, warehouses and offices. In 2012, we contributed our company-owned and joint venture bottling operations in China to Tingyi. AMEA continues to utilize properties owned or leased by Tingyi.

### ***Shared Properties***

QFNA shares 12 warehouse and distribution centers and eight offices jointly with PAB and FLNA and shares two additional offices with FLNA. QFNA also shares 25 warehouses and distribution centers, one production facility and two offices with PAB, as well as one research and development laboratory. FLNA shares one production facility with LAF. PAB, Europe and AMEA share two production facilities and a service center. Europe and AMEA share a research and development facility. PAB and LAF share four offices. PAB and AMEA share two concentrate plants.

In addition to the company-owned or leased properties described above, we also utilize a highly distributed network of plants, warehouses and distribution centers that are owned or leased by our contract manufacturers, co-packers, strategic alliances or joint ventures in which we have an equity interest.

### **Item 3. Legal Proceedings.**

As previously disclosed, 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. 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. As previously disclosed, PCGB appealed this decision and, 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. 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. PCGB has appealed this decision and the appeal is pending.

Also as previously disclosed, on May 8, 2011, Kozep-Duna-Volgyi Kornyezetvedelmi, Termeszettvedelmi es Vizugyi Felugyeloseg (Budapest), the regional Hungarian governmental authority (the Hungarian Authority), notified our subsidiary, Fovarosi Asvanyviz-es Uditoipari Zrt. (FAU), that it assessed monetary sanctions of approximately \$220,000 for alleged violation of applicable wastewater discharge standards in 2010. Also as previously disclosed, on August 9, 2012, the Hungarian Authority notified FAU that it assessed monetary sanctions of approximately \$153,000 for alleged violation of applicable wastewater discharge standards in 2011. Following an appeal of this decision by FAU, the Orszagos Kornyezetvedelmi, Termeszettvedelmi es Vizugyi Felugyeloseg (Budapest) increased the 2011 sanctions to \$320,000 and the 2012 sanctions to \$170,000, on July 22, 2013 and August 12, 2013, respectively, on the grounds that certain pollutant factors had not been taken into account by the Hungarian Authority. FAU has appealed these decisions and the appeals are pending at the Fovarosi Kozigazgatasi es Munkaugyi Birosag (Budapest).

In addition, we and our subsidiaries are party to a variety of legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. While the results of these proceedings, claims and inquiries cannot be predicted with certainty, management believes that the final outcome of the foregoing will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows. See also “Item 1. Business - Regulatory Environment and Environmental Compliance.” and “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 4. Mine Safety Disclosures.**

Not applicable.

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#### **Executive Officers of the Registrant**

The following is a list of names, ages and backgrounds of our current executive officers:

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Title</u></b>
Zein Abdalla	55	President, PepsiCo
Albert P. Carey	62	Chief Executive Officer, PepsiCo Americas Beverages
Sanjeev Chadha	54	Chief Executive Officer, PepsiCo Asia, Middle East and Africa
Brian Cornell	54	Chief Executive Officer, PepsiCo Americas Foods
Marie T. Gallagher	54	Senior Vice President and Controller, PepsiCo
Thomas Greco	55	Executive Vice President, PepsiCo; President, Frito-Lay North America
Enderson Guimaraes	54	Chief Executive Officer, PepsiCo Europe
Hugh F. Johnston	52	Executive Vice President and Chief Financial Officer, PepsiCo
Dr. Mehmood Khan	55	Executive Vice President, PepsiCo Chief Scientific Officer, Global Research and Development, PepsiCo
Indra K. Nooyi	58	Chairman and Chief Executive Officer, PepsiCo
Larry D. Thompson	68	Executive Vice President, Government Affairs, General Counsel and Corporate Secretary, PepsiCo
Cynthia M. Trudell	60	Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo

**Zein Abdalla**, 55, was appointed to the role of President, PepsiCo in September 2012. Mr. Abdalla was Chief Executive Officer of PepsiCo Europe from November 2009 until September 2012. Mr. Abdalla joined PepsiCo in 1995 and has held a variety of senior positions. He has served as General Manager of PepsiCo’s European Beverage Business, General Manager Tropicana Europe and Franchise Vice President for Pakistan and the Gulf region. From 2005 to 2008 he led PepsiCo’s continental Europe operations. In September 2008 he went on to lead the complete portfolio of PepsiCo businesses in Europe. Prior to joining PepsiCo, Mr. Abdalla worked for Mars Incorporated in engineering and manufacturing roles, as well as in sales, marketing, human resources and general management.

**Albert P. Carey**, 62, has been Chief Executive Officer, PepsiCo Americas Beverages since September 2011. He served as President and Chief Executive Officer of Frito-Lay North America from June 2006 to September 2011. Mr. Carey began his career with Frito-Lay in 1981 where he spent 20 years in a variety of roles. He served as President, PepsiCo Sales from February 2003 until June 2006. Prior to that, he served as Chief Operating Officer, PepsiCo Beverages and Foods North America from June 2002 to February 2003 and as PepsiCo’s Senior Vice President, Sales and Retailer Strategies from August 1998 to June 2002.

**Sanjeev Chadha**, 54, was appointed to the role of Chief Executive Officer, PepsiCo Asia, Middle East and Africa in September 2013. Mr. Chadha was President of PepsiCo's Middle East and Africa region from January 2011 to September 2013 and President of PepsiCo's India region from 2009 to December 2010. Mr. Chadha joined PepsiCo in 1989 and has held a variety of senior positions with the Company. He served as Senior Vice President – Commercial, Asia Pacific, including China and India, Senior General Manager, Vietnam and the Philippines, and held other leadership roles in sales, marketing, innovation and franchise.

**Brian Cornell**, 54, was appointed to the role of Chief Executive Officer, PepsiCo Americas Foods in March 2012. Prior to that, Mr. Cornell served as President and Chief Executive Officer of Sam's Club, a division of Wal-Mart, and Executive Vice President of Wal-Mart from 2009 until 2012. Prior to that, he was Chief Executive Officer of Michaels from 2007 until 2009 and he has also served as Executive Vice President and Chief Marketing Officer for Safeway from 2004 until 2007. Earlier in his career, Mr. Cornell held several general management positions at PepsiCo, including President of Tropicana from 1999 to 2001, President of PepsiCo beverages for Europe and Africa from 2001 to 2003 and President of PepsiCo North America Foodservice from 2003 to 2004.

**Marie T. Gallagher**, 54, was appointed PepsiCo's Senior Vice President and Controller in May 2011. Ms. Gallagher joined PepsiCo in 2005 as Vice President and Assistant Controller. Prior to joining PepsiCo, Ms. Gallagher was Assistant Controller at Altria Corporate Services and, prior to that, a senior manager at Coopers & Lybrand.

**Thomas Greco**, 55, was appointed Executive Vice President, PepsiCo and President, Frito-Lay North America in September 2011. Prior to that, Mr. Greco served as Executive Vice President and Chief Commercial Officer for Pepsi Beverages Company. Mr. Greco joined PepsiCo in Canada in 1986, and has served in a variety of positions, including Region Vice President, Midwest; President, Frito-Lay Canada; Senior Vice President, Sales, Frito-Lay North America; President, Global Sales, PepsiCo; and Executive Vice President, Sales, North America Beverages.

**Anderson Guimaraes**, 54, was appointed Chief Executive Officer, PepsiCo Europe in September 2012. Prior to that, Mr. Guimaraes served as President of PepsiCo Global Operations from October 2011. Before PepsiCo, Mr. Guimaraes served as Executive Vice President of Electrolux and Chief Executive Officer of its major appliances business in Europe, Africa and the Middle East from 2008 to 2011. He also spent 10 years at Philips Electronics, from 1998 to 2007, first as a regional marketing executive in Brazil and ultimately as Senior Vice President, head of Global Marketing Management and general manager of the WidiWall LED display business. He also served as CEO of Philips' Lifestyle Incubator group, an innovation engine which created new businesses and developed them over several years. Earlier, Mr. Guimaraes worked in various marketing positions at Danone and Johnson & Johnson.

**Hugh F. Johnston**, 52, was appointed Executive Vice President and Chief Financial Officer, PepsiCo in March 2010. He previously held the position of Executive Vice President, Global Operations since November 2009 and the position of President of Pepsi-Cola North America since November 2007. He was formerly PepsiCo's Executive Vice President, Operations, a position he held from October 2006 until November 2007. From April 2005 until October 2006, Mr. Johnston was PepsiCo's Senior Vice President, Transformation. Prior to that, he served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages and Foods from November 2002 through March 2005, and as PepsiCo's Senior Vice President of Mergers and Acquisitions from March 2002 until November 2002. Mr. Johnston joined PepsiCo in 1987 as a Business Planner and held various finance positions until 1999 when he left to join Merck & Co., Inc. as Vice President, Retail, a position which he held until he rejoined PepsiCo in 2002. Prior to joining PepsiCo in 1987, Mr. Johnston was with General Electric Company in a variety of finance positions.

**Dr. Mehmood Khan**, 55, became PepsiCo's Executive Vice President, PepsiCo Chief Scientific Officer, Global Research & Development in May 2012. He previously held the position of Chief Executive Officer of PepsiCo's Global Nutrition Group since November 2010 and the position of PepsiCo's Chief Scientific Officer since 2008. Prior to joining PepsiCo, Dr. Khan served for five years at Takeda Pharmaceuticals in various leadership roles including President of Research and Development and Chief Medical Officer. Dr. Khan also served at the Mayo Clinic until 2003 as the director of the Diabetes, Endocrinology and Nutrition Clinical Unit and as Consultant Physician in Endocrinology.

**Indra K. Nooyi**, 58, has been PepsiCo's Chief Executive Officer since 2006 and assumed the role of Chairman of PepsiCo's Board of Directors in 2007. She was elected to PepsiCo's Board of Directors and became President and Chief Financial Officer in 2001, after serving as Senior Vice President and Chief Financial Officer since 2000. Ms. Nooyi also served as PepsiCo's Senior Vice President, Corporate Strategy and Development from 1996 until 2000, and as PepsiCo's Senior Vice President, Strategic Planning from 1994 until 1996. Prior to joining PepsiCo, Ms. Nooyi spent four years as Senior Vice President of Strategy, Planning and Strategic Marketing for Asea Brown Boveri, Inc. She was also Vice President and Director of Corporate Strategy and Planning at Motorola, Inc.

**Larry D. Thompson**, 68, became PepsiCo's Executive Vice President, Government Affairs, General Counsel and Corporate Secretary in July 2012. He was formerly PepsiCo's Senior Vice President, Government Affairs, General Counsel and Secretary, a position he held from November 2004 until May 2011. Prior to rejoining PepsiCo, Mr. Thompson served as the John A. Sibley Chair in Corporate and Business Law at the University of Georgia School of Law from August 2011 until May 2012. He previously served as a Senior Fellow with the Brookings Institution in Washington, D.C. and served as Deputy Attorney General in the U.S. Department of Justice. In 2002, Mr. Thompson was named to lead the Department of Justice's National Security Coordination Council and was also named by President Bush to head the Corporate Fraud Task Force. In April 2000, he was selected by Congress to chair the bipartisan Judicial Review Commission on Foreign Asset Control. Prior to his government career, Mr. Thompson was a partner in the law firm of King & Spalding, a position he held from 1986 to 2001.

**Cynthia M. Trudell**, 60, has been Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo since April 2011 and was PepsiCo's Senior Vice President, Chief Personnel Officer from February 2007 until April 2011. Ms. Trudell served as a director of PepsiCo from January 2000 until February 2007. She was formerly Vice President of Brunswick Corporation and President of Sea Ray Group from 2001 until 2006. From 1999 until 2001, Ms. Trudell served as General Motors' Vice President, and Chairman and President of Saturn Corporation, a wholly owned subsidiary of GM. Ms. Trudell began her career with the Ford Motor Co. as a chemical process engineer. In 1981, she joined GM and held various engineering and manufacturing supervisory positions. In 1995, she became plant manager at GM's Wilmington Assembly Center in Delaware. In 1996, she became President of IBC Vehicles in Luton, England, a joint venture between General Motors and Isuzu.

Executive officers are elected by our Board of Directors, and their terms of office continue until the next annual meeting of the Board or until their successors are elected and have qualified. There are no family relationships among our executive officers.

## PART II

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Stock Trading Symbol – PEP

Stock Exchange Listings – The New York Stock Exchange is the principal market for our common stock, which is also listed on the Chicago and SIX Swiss Exchanges.

Stock Prices – The composite quarterly high, low and closing prices for PepsiCo common stock for each fiscal quarter of 2013 and 2012 are contained in our Selected Financial Data included on page [115](#).

Shareholders – As of February 5, 2014, there were approximately 144,930 shareholders of record of our common stock.

Dividends – Dividends are usually declared in early to mid-February, May, July and November and paid at the end of March, June and September and the beginning of January. On February 6, 2014, the Board of PepsiCo declared a quarterly dividend of \$0.5675 payable March 31, 2014, to shareholders of record on March 7, 2014. For the remainder of 2014, the dividend record dates for these payments are, subject to approval of the Board of Directors, expected to be June 6, September 5 and December 5, 2014. We have paid consecutive quarterly cash dividends since 1965. Information with respect to the quarterly dividends declared in 2013 and 2012 is contained in our Selected Financial Data.

For information on securities authorized for issuance under our equity compensation plans, see “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

A summary of our common stock repurchases (in millions, except average price per share) during the fourth quarter of 2013 under the \$10 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, is set forth in the table below. All such shares of common stock were repurchased pursuant to open market transactions, other than 188,000 shares of common stock which were repurchased pursuant to a privately negotiated block trade transaction.

### Issuer Purchases of Common Stock

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
9/7/13				\$ 9,240
9/8/13 – 10/5/13	3.3	\$ 80.32	3.3	(265) 8,975
10/6/13 – 11/2/13	3.7	\$ 82.26	3.7	(305) 8,670
11/3/13 – 11/30/13	3.6	\$ 85.35	3.6	(306) 8,364
12/1/13 – 12/28/13	—	—	—	—
Total	<u>10.6</u>	\$ 82.70	<u>10.6</u>	<u>\$ 8,364</u>

In connection with our merger with The Quaker Oats Company in 2001, shares of our convertible preferred stock were authorized and issued to an employee stock ownership plan (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 fourth quarter.

### Issuer Purchases of Convertible Preferred Stock

<u>Period</u>	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
9/8/13 – 10/5/13	1,100	\$ 396.25	N/A	N/A
10/6/13 – 11/2/13	1,000	\$ 413.62	N/A	N/A
11/3/13 – 11/30/13	1,000	\$ 428.71	N/A	N/A
12/1/13 – 12/28/13	2,400	\$ 405.14	N/A	N/A
Total	5,500	\$ 409.19	N/A	N/A

**Item 6. Selected Financial Data.**

Selected Financial Data is included on page [115](#).

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

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*Our discussion and analysis is an integral part of our consolidated financial statements and is provided as an addition to, and should be read in connection with, our consolidated financial statements and the accompanying notes. Definitions of key terms can be found in the glossary beginning on page 119. Tabular dollars are presented in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless otherwise noted, and are based on unrounded amounts. Percentage changes are based on unrounded amounts.*

## **OUR BUSINESS**

### **Executive Overview**

We are a leading global food and beverage company with brands that are respected household names throughout the world. Through our operations, authorized bottlers, contract manufacturers and other third parties, we make, market, sell and distribute a wide variety of convenient and enjoyable foods and beverages, serving customers and consumers in more than 200 countries and territories.

Our management monitors a variety of key indicators to evaluate our business results and financial condition. These indicators include growth in volume, revenue and organic revenue, growth in operating profit and EPS (as reported and excluding certain items and the impact of foreign exchange translation), market share, safety, product and service quality, organizational health, brand equity, employee diversity, net commodity inflation, productivity savings, net capital spending, free cash flow and free cash flow excluding certain items, cash returned to shareholders in the forms of share repurchases and dividends, advertising and marketing expenses, ROIC, and gross and operating margin change.

During 2013, we continued to reinforce the initiatives we undertook in 2012 that we believe will position us for future success. These initiatives included increasing our investments in our largest global brands; stepping up our innovation program, including the successful launch of Mountain Dew Kickstart; increasing our spending on research and development, including opening a new state-of-the-art food and beverage innovation center in Shanghai, China; and continuing our multi-year productivity program that resulted in over \$900 million in savings in 2013. We successfully continued these initiatives during 2013 while returning \$6.4 billion to shareholders through share repurchases and dividends.

As we look to 2014 and beyond, we remain focused on positioning our Company for long-term success while continuing to deliver strong, consistent financial results. Our business strategies are designed to address key challenges facing our Company, including: continuing to strengthen our presence in high growth developing and emerging markets and providing products in these markets that will be accepted and successful; continued consumer focus on nutritious products; geopolitical and social instability and commodity cost volatility. We believe that many of these challenges create new growth opportunities for our Company. For example, we believe that a favorable outlook for growth in developing and emerging markets creates opportunities for further growth of our products in those markets. We also believe that continued consumer focus on more nutritious products creates an opportunity for us to expand our offerings in this arena. In order to address these challenges and capitalize on these opportunities, we plan to do the following:

#### ***Continue to invest in developing and emerging markets.***

We expect that developing and emerging markets will continue to represent an attractive high growth space for our Company, but will require us to make significant investments to develop the skills, tools and people necessary to continue to compete effectively in these markets. PepsiCo already has a strong presence in developing and emerging markets and we believe it will be important for us to continue to invest in these markets to continue to grow our business.

***Continue to broaden the range of our product portfolio, including expanding our offerings of more nutritious products.***

We anticipate that the consumer shift to convenient, functional nutrition, local and natural ingredients, and better-for-you snacking options will continue to accelerate. To address this shift, we plan to continue to grow our portfolio of more nutritious products by reducing added sugar, sodium and saturated fat in certain key brands.

***Further enhance our digital tools and data protection capabilities.***

The importance of digital technology continues to grow from both a consumer and business capability standpoint. We plan to invest in digital tools and technologies that will allow us to reach our consumers differently, continue to adapt our advertising and marketing model to harness the power of social media and enhance the efficiency of our sales force. We also expect that these investments will improve our analytical capabilities and enhance food safety and quality. In addition, cybersecurity requires focused investment and constant diligence against threats and we will continue to work to strengthen our information systems and improve our digital capabilities.

***Protect our supply chain and our people.***

Our ability to make, manufacture, distribute and sell products is critical to our success. Geopolitical and social tensions and conflict are expected to continue to pose risks to doing business in many countries around the world. We will continue to make investments to keep our people safe and protect our supply chain against potential threats.

***Develop new ways to manage volatility in commodities.***

Extreme weather patterns are expected to persist and intensify as a result of climate change, which may result in decreased availability or less-favorable pricing for certain commodities that are necessary for our products. In addition to managing this volatility through the use of fixed-price contracts and purchase orders, pricing agreements and derivatives, we plan to leverage our research and development teams to work to create multiple formulations while delivering on taste and quality to cope with fluctuations in raw material availability and price.

***Deliver on the promise of Performance with Purpose.***

Performance with Purpose is our goal to deliver sustained value by providing a wide range of foods and beverages, from treats to healthy eats; finding innovative ways to minimize our impact on the environment and lower our costs through energy and water conservation as well as reduce use of packaging material; providing a safe and inclusive workplace for our employees globally; and respecting, supporting and investing in the local communities in which we operate. PepsiCo was again recognized for its leadership in this area in 2013 by earning a place on the prestigious Dow Jones Sustainability World Index for the seventh consecutive year and on the North America Index for the eighth consecutive year.

## **Our Operations**

We are organized into four business units, as follows:

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

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

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

See Note 1 to our consolidated financial statements for financial information about our divisions and geographic areas.

### ***Frito-Lay North America***

Either independently or in conjunction with third parties, FLNA makes, markets, sells and distributes branded snack foods. These foods include Lay's potato chips, Doritos tortilla chips, Cheetos cheese flavored snacks, Tostitos tortilla chips, branded dips, Ruffles potato chips, Fritos corn chips and Santitas tortilla chips. FLNA's branded products are sold to independent distributors and retailers. In addition, FLNA's joint venture with Strauss Group makes, markets, sells and distributes Sabra refrigerated dips and spreads.

### ***Quaker Foods North America***

Either independently or in conjunction with third parties, QFNA makes, markets, sells and distributes cereals, rice, pasta, dairy and other branded products. QFNA's products include Quaker oatmeal, Aunt Jemima mixes and syrups, Quaker Chewy granola bars, Cap'n Crunch cereal, Quaker grits, Life cereal, Rice-A-Roni side dishes, Quaker rice cakes, Quaker Oat Squares and Quaker Natural Granola. These branded products are sold to independent distributors and retailers.

### ***Latin America Foods***

Either independently or in conjunction with third parties, LAF makes, markets, sells and distributes a number of snack food brands including Doritos, Marias Gamesa, Cheetos, Ruffles, Emperador, Saladitas, Sabritas, Elma Chips, Tostitos and Rosquinhas Mabel, as well as many Quaker-branded cereals and snacks. These branded products are sold to independent distributors and retailers.

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

Either independently or in conjunction with third parties, PAB makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Gatorade, Mountain Dew, Diet Pepsi, Aquafina, 7UP (outside the U.S.), Diet Mountain Dew, Tropicana Pure Premium, Sierra Mist and Mirinda. PAB also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea and coffee products through joint ventures with Unilever (under the Lipton brand name) and Starbucks. Further, PAB manufactures and distributes certain brands licensed from DPSG, including Dr Pepper, Crush and Schweppes, and certain juice brands licensed from Dole and Ocean Spray. PAB operates its own bottling plants and distribution facilities and sells branded finished goods directly to independent distributors and retailers. PAB also sells concentrate and finished goods for our brands to authorized and independent bottlers, who in turn also sell our brands as finished goods to independent distributors and retailers in certain markets.

PAB's volume reflects sales to its independent distributors and retailers, as well as the sales of beverages bearing our trademarks that have been sold through our authorized independent bottlers that have been reported as sold to independent distributors and retailers. Bottler case sales (BCS) and concentrate shipments and equivalents (CSE) are not necessarily equal during any given period due to seasonality, timing of product launches, product mix, bottler inventory practices and other factors. While our revenues are not entirely based on BCS volume, as there are independent bottlers in the supply chain, we believe that BCS is a valuable measure as it quantifies the sell-through of our products at the consumer level.

### ***Europe***

Either independently or in conjunction with third parties, Europe makes, markets, sells and distributes a number of leading snack food brands including Lay's, Walkers, Doritos, Cheetos and Ruffles, as well as many Quaker-branded cereals and snacks, through consolidated businesses as well as through noncontrolled affiliates. Europe also, either independently or in conjunction with third parties, makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Pepsi Max, 7UP, Diet Pepsi and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. In certain markets, however, Europe operates its own bottling plants and distribution facilities. Europe also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). In addition, Europe makes, markets, sells and distributes a number of leading dairy products including Domik v Derevne, Chudo and Agusha.

Europe reports two measures of volume. Snacks volume is reported on a system-wide basis, which includes our own sales and the sales by our noncontrolled affiliates of snacks bearing Company-owned or licensed trademarks. Beverage volume reflects Company-owned or authorized independent bottler sales of beverages bearing Company-owned or licensed trademarks to independent distributors and retailers (see PepsiCo Americas Beverages above). In 2011, we acquired WBD, Russia's leading branded food and beverage company. WBD's portfolio of products is included within Europe's snacks or beverage reporting, depending on product type.

See Note 15 to our consolidated financial statements for additional information about our acquisition of WBD in 2011.

### ***Asia, Middle East and Africa***

Either independently or in conjunction with third parties, AMEA makes, markets, sells and distributes a number of leading snack food brands including Lay's, Kurkure, Chippy, Doritos, Cheetos and Smith's through consolidated businesses as well as through noncontrolled affiliates. Further, either independently or in conjunction with third parties, AMEA makes, markets and sells many Quaker-branded cereals and snacks.

AMEA also makes, markets, sells and distributes beverage concentrates, fountain syrups and finished goods under various beverage brands including Pepsi, Mirinda, 7UP, Mountain Dew, Aquafina and Tropicana. These branded products are sold to authorized bottlers, independent distributors and retailers. However, in certain markets, AMEA operates its own bottling plants and distribution facilities. AMEA also, either independently or in conjunction with third parties, makes, markets and sells ready-to-drink tea products through an international joint venture with Unilever (under the Lipton brand name). Further, we license the Tropicana brand for use in China on co-branded juice products to a strategic alliance with Tingyi which is reflected in our reported volume. AMEA reports two measures of volume (see Europe above).

See Note 15 to our consolidated financial statements for additional information about our transaction with Tingyi in 2012.

### **Our Customers**

Our primary customers include wholesale and other distributors, foodservice customers, grocery stores, drug stores, convenience stores, discount/dollar stores, mass merchandisers, membership stores and authorized independent bottlers. We normally grant our independent bottlers exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographic area. These arrangements provide us with the right to charge our independent bottlers for concentrate, finished goods and Aquafina royalties and specify the manufacturing process required for product quality. We also grant distribution rights to our independent bottlers for certain beverage products bearing our trademarks for specified geographic areas.

Since we do not sell directly to the consumer, we rely on and provide financial incentives to our customers to assist in the distribution and promotion of our products. For our independent distributors and retailers, these incentives include volume-based rebates, product placement fees, promotions and displays. For our independent bottlers, these incentives are referred to as bottler funding and are negotiated annually with each bottler to support a variety of trade and consumer programs, such as consumer incentives, advertising support, new product support, and vending and cooler equipment placement. Consumer incentives include coupons, pricing discounts and promotions, and other promotional offers. Advertising support is directed at advertising programs and supporting independent bottler media. New product support includes targeted consumer and retailer incentives and direct marketplace support, such as point-of-purchase materials, product placement fees, media and advertising. Vending and cooler equipment placement programs support the acquisition and placement of vending machines and cooler equipment. The nature and type of programs vary annually.

Retail consolidation and the current economic environment continue to increase the importance of major customers. In 2013, sales to Wal-Mart (including Sam's) represented approximately 11% of our total net revenue. Our top five retail customers represented approximately 30% of our 2013 North American net revenue, with Wal-Mart (including Sam's) representing approximately 17%. These percentages include concentrate sales to our independent bottlers which were used in finished goods sold by them to these retailers.

### **Our Distribution Network**

Our products are brought to market through DSD, customer warehouse and distributor networks. The distribution system used depends on customer needs, product characteristics and local trade practices.

#### ***Direct-Store-Delivery***

We, our independent bottlers and our distributors operate DSD systems that deliver snacks and beverages directly to retail stores where the products are merchandised by our employees or our bottlers. DSD enables us to merchandise with maximum visibility and appeal. DSD is especially well-suited to products that are restocked often and respond to in-store promotion and merchandising.

### ***Customer Warehouse***

Some of our products are delivered from our manufacturing plants and warehouses to customer warehouses and retail stores. These less costly systems generally work best for products that are less fragile and perishable, have lower turnover, and are less likely to be impulse purchases.

### ***Distributor Networks***

We distribute many of our products through third-party distributors. Third-party distributors are particularly effective when greater distribution reach can be achieved by including a wide range of products on the delivery vehicles. For example, our foodservice and vending business distributes snacks, foods and beverages to restaurants, businesses, schools and stadiums through third-party foodservice and vending distributors and operators.

### **Our Competition**

Our businesses operate in highly competitive markets. Our beverage, snack and food brands compete against global, regional, local and private label manufacturers and other value competitors. In many countries in which we do business, The Coca-Cola Company is our primary beverage competitor. Other food and beverage competitors include, but are not limited to, ConAgra Foods, Inc., DPSG, Kellogg Company, Kraft Foods Group, Inc., Mondelēz International, Inc., Monster Beverage Corporation, Nestlé S.A., Red Bull GmbH and Snyder's-Lance, Inc. In many markets, we also compete against numerous regional and local companies.

Many of our snack and food brands hold significant leadership positions in the snack and food industry worldwide. However, The Coca-Cola Company has significant CSD share advantage in many markets outside the United States.

Our beverage, snack and food brands compete on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on effective promotion of existing products, introduction of new products and the effectiveness of our advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques, new vending and dispensing equipment and brand and trademark development and protection. We believe that the strength of our brands, innovation and marketing, coupled with the quality of our products and flexibility of our distribution network, allows us to compete effectively.

### **Other Relationships**

Certain members of our Board of Directors also serve on the boards of certain vendors and customers. These Board members do not participate in our vendor selection and negotiations nor in our customer negotiations. Our transactions with these vendors and customers are in the normal course of business and are consistent with terms negotiated with other vendors and customers. In addition, certain of our employees serve on the boards of Pepsi Bottling Ventures LLC and other affiliated companies of PepsiCo and do not receive incremental compensation for such services.

### **Our Business Risks**

We are subject to risks in the normal course of business. During 2012 and 2013, certain countries in Europe continued to experience debt and credit issues as well as currency fluctuations and, as a result, the operating environment in Europe remains challenging. In addition, continued political and civil unrest in the Middle East and currency fluctuations in markets such as Venezuela (discussed further below), Argentina and Turkey continued to result in challenging operating environments in the respective regions. We continue to monitor the economic and operating environment in these regions closely and have identified actions to potentially

mitigate the unfavorable impact, if any, on our future results. See also “Risk Factors” in Item 1A., “Executive Overview” above and “Market Risks” below for more information about these risks.

### ***Risk Management Framework***

The achievement of our strategic and operating objectives necessarily involves taking risks. Our risk management process is intended to ensure that risks are taken knowingly and purposefully. As such, we leverage an integrated risk management framework, which is designed to identify, assess, prioritize, address, manage, monitor and communicate risks across the Company’s operations. This framework includes:

- PepsiCo’s Board of Directors is responsible for overseeing risk assessment and mitigation. The Board receives updates on key risks throughout the year. The Board has delegated oversight of certain categories of risk to designated Board committees which report to the Board regularly on matters relating to the risks the committees oversee.
  - The Audit Committee of the Board of Directors reviews and assesses the guidelines and policies governing PepsiCo’s risk management and oversight processes and assists the Board’s oversight of financial, compliance and employee safety risks facing PepsiCo; and
  - The Compensation Committee of the Board periodically reviews PepsiCo’s compensation policies and practices to assess whether such policies and practices could lead to unnecessary risk-taking behavior.
- The PepsiCo Risk Committee (PRC), which is comprised of a cross-functional, geographically diverse, senior management group which meets periodically to identify, assess, prioritize and address strategic, financial, operating, business, compliance, safety, reputational and other risks;
- Division Risk Committees (DRC), comprised of cross-functional senior management teams which meet regularly to identify, assess, prioritize and address division-specific business risks;
- PepsiCo’s Risk Management Office, which manages the overall risk management process, provides ongoing guidance, tools and analytical support to the PRC and the DRCs, identifies and assesses potential risks and facilitates ongoing communication between the parties, as well as with PepsiCo’s Board of Directors and the Audit Committee of the Board;
- PepsiCo Corporate Audit, which evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures; and
- PepsiCo’s Compliance & Ethics Department, which leads and coordinates our compliance policies and practices.

### ***Market Risks***

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

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

In the normal course of business, we manage these risks through a variety of strategies, including productivity initiatives, purchasing programs and hedging strategies. 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. See Note 9 to our consolidated financial statements for further information on our non-cancelable purchasing commitments. 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 Consolidated Statement of Cash Flows. We do not use derivative instruments for trading or speculative purposes. We perform assessments of our counterparty credit risk regularly, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent assessment of our counterparty credit risk, we consider this risk to be low. In addition, we enter into derivative contracts with a variety of financial institutions that we believe are creditworthy in order to reduce our concentration of credit risk. See “Unfavorable economic conditions may have an adverse impact on our business results or financial condition.” and “Our operating results may be adversely affected by increased costs, disruption of supply or shortages of raw materials or other supplies.” in “Risk Factors” in Item 1A.

The fair value of our derivatives fluctuates based on market rates and prices. The sensitivity of our derivatives to these market fluctuations is discussed below. See Note 10 to consolidated financial statements for further discussion of these derivatives and our hedging policies. See “Our Critical Accounting Policies” for a discussion of the exposure of our pension and retiree medical plan assets and liabilities to risks related to market fluctuations.

Inflationary, deflationary and recessionary conditions impacting these market risks also impact the demand for and pricing of our products. See “Risk Factors” in Item 1A. for further discussion.

### *Commodity Prices*

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

Our open commodity derivative contracts that qualify for hedge accounting had a face value of \$494 million as of December 28, 2013 and \$507 million as of December 29, 2012. At the end of 2013, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses in 2013 by \$47 million.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of \$881 million as of December 28, 2013 and \$853 million as of December 29, 2012. At the end of 2013, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net losses in 2013 by \$81 million.

### *Foreign Exchange*

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

Our operations outside of the U.S. generate 49% of our net revenue, with Russia, Mexico, Canada, the United Kingdom and Brazil comprising approximately 25% of our net revenue in 2013. As a result, we are exposed to foreign currency risks. During 2013, unfavorable foreign exchange reduced net revenue growth by 2 percentage points, primarily due to depreciation of the Venezuelan bolivar (bolivar), Brazilian real, Egyptian pound and Russian ruble, partially offset by appreciation of the Mexican peso. Currency declines against the U.S. dollar which are not offset could adversely impact our future results.

The results of our Venezuelan 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. In 2013 and 2012, the majority of our transactions and net monetary assets qualified to be remeasured at the official exchange rate of obtaining U.S. dollars for dividends through the government-operated Foreign Exchange Administration Board (CADIVI). Effective February 2013, the Venezuelan government devalued the bolivar by resetting the official exchange rate from 4.3 bolivars per dollar to 6.3 bolivars per dollar. Additionally, the Transaction System for Foreign Currency Denominated Securities (SITME) administered by the Central Bank of Venezuela for non-CADIVI transactions was eliminated. To replace the SITME, the government announced a new auction-based foreign exchange system (SICAD) that functions as the official channel to acquire dollars, for non-CADIVI transactions, at a rate higher than the official exchange rate. The devaluation resulted in an after-tax net charge of \$111 million in the first quarter of 2013 associated with the remeasurement of bolivar-denominated net monetary assets reflected in items affecting comparability (see “Items Affecting Comparability”). The impact of this devaluation on our 2013 net revenue and operating profit was not material. In both 2013 and 2012, our operations in Venezuela generated 1% of our net revenue and 2% of our operating profit. In 2013 and 2012, our operations in Venezuela comprised 5% and 7% of our cash and cash equivalents balance, respectively. We continue to use available options to obtain U.S. dollars to meet our operational needs.

We are also exposed to foreign currency 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 face value of \$2.5 billion as of December 28, 2013 and \$2.8 billion as of December 29, 2012. At the end of 2013, we estimate that an unfavorable 10% change in the exchange rates would have decreased our net unrealized gains by \$128 million. For foreign currency derivatives that do not qualify for hedge accounting treatment, all losses and gains were offset by changes in the underlying hedged items, resulting in no net material impact on earnings.

#### *Interest Rates*

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross-currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency 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 amounts of the interest rate derivative instruments outstanding as of December 28, 2013 and December 29, 2012 were \$7.9 billion and \$8.1 billion, respectively. Assuming year-end 2013 investment levels and variable rate debt, a 1-percentage-point increase in interest rates would have decreased net interest expense by \$5 million in 2013 due to higher cash and cash equivalents and short-term investments levels as compared with our variable rate debt.

## OUR CRITICAL ACCOUNTING POLICIES

An appreciation of our critical accounting policies is necessary to understand our financial results. These policies may require management to make difficult and subjective judgments regarding uncertainties, and as a result, such estimates may significantly impact our financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. Other than our accounting for pension and retiree medical plans, our critical accounting policies do not involve a choice between alternative methods of accounting. We applied our critical accounting policies and estimation methods consistently in all material respects, and for all periods presented, and have discussed these policies with our Audit Committee.

Our critical accounting policies are:

- revenue recognition;
- goodwill and other intangible assets;
- income tax expense and accruals; and
- pension and retiree medical plans.

### Revenue Recognition

Our products are sold for cash or on credit terms. Our credit terms, which are established in accordance with local and industry practices, typically require payment within 30 days of delivery in the U.S., and generally within 30 to 90 days internationally, and may allow discounts for early payment. We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products.

Our policy is to provide customers with product when needed. In fact, our commitment to freshness and product dating serves to regulate the quantity of product shipped or delivered. In addition, DSD products are placed on the shelf by our employees with customer shelf space and storerooms limiting the quantity of product. For product delivered through our other distribution networks, we monitor customer inventory levels.

As discussed in “Our Customers,” we offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue and totaled \$34.7 billion in both 2013 and 2012, and \$34.6 billion in 2011. Sales incentives and discounts include payments to customers for performing merchandising activities on our behalf, such as payments for in-store displays, payments to gain distribution of new products, payments for shelf space and discounts to promote lower retail prices. Sales incentives and discounts also include support provided to our independent bottlers through funding of advertising and other marketing activities. A number of our sales incentives, such as bottler funding to independent bottlers and customer volume rebates, are based on annual targets, and accruals are established during the year for the expected payout. These accruals are based on contract terms and our historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expense and actual incentive costs are normally insignificant and are recognized in earnings in the period such differences are determined. In addition, certain advertising and marketing costs are also based on annual targets and recognized during the year as incurred. The terms of most of our incentive arrangements do not exceed a

year, and therefore do not require highly uncertain long-term estimates. Certain arrangements, such as fountain pouring rights, may extend beyond one year. Payments made to obtain these rights are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$410 million as of December 28, 2013 and \$335 million as of December 29, 2012 are included in prepaid expenses and other current assets on our balance sheet.

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. See Note 2 to our consolidated financial statements for additional information on our total marketplace spending. Our annual financial statements are not impacted by this interim allocation methodology.

We estimate and reserve for our bad debt exposure based on our experience with past due accounts and collectibility, the aging of accounts receivable and our analysis of customer data. Bad debt expense is classified within selling, general and administrative expenses in our income statement.

### **Goodwill and Other Intangible Assets**

We sell products under a number of brand names, many of which were developed by us. The brand development costs are expensed as incurred. We also purchase brands and other intangible assets in acquisitions. In a business combination, the consideration is first assigned to identifiable assets and liabilities, including brands and other intangible assets, based on estimated fair values, with any excess recorded as goodwill. Determining fair value requires significant estimates and assumptions based on an evaluation of a number of factors, such as marketplace participants, product life cycles, market share, consumer awareness, brand history and future expansion expectations, amount and timing of future cash flows and the discount rate applied to the cash flows.

We believe that a brand has an indefinite life if it has a history of strong revenue and cash flow performance, and we have the intent and ability to support the brand with marketplace spending for the foreseeable future. If these perpetual brand criteria are not met, brands are amortized over their expected useful lives, which generally range from five to 40 years. Determining the expected life of a brand requires management judgment and is based on an evaluation of a number of factors, including market share, consumer awareness, brand history, future expansion expectations and regulatory restrictions, as well as the macroeconomic environment of the countries in which the brand is sold.

In connection with previous acquisitions, we reacquired certain franchise rights which provided the exclusive and perpetual rights to manufacture and/or distribute beverages for sale in specified territories. In determining the useful life of these reacquired franchise rights, many factors were considered, including the pre-existing perpetual bottling arrangements, the indefinite period expected for the reacquired rights to contribute to our future cash flows, as well as the lack of any factors that would limit the useful life of the reacquired rights to us, including legal, regulatory, contractual, competitive, economic or other factors. Therefore, certain reacquired franchise rights are considered as indefinite-lived, with the balance amortized over the remaining contractual period of the contract in which the right was granted.

Indefinite-lived intangible assets and goodwill are not amortized and are assessed for impairment at least annually, using either a qualitative or quantitative approach. Where we use the qualitative assessment, first

we determine if, based on qualitative factors, it is more likely than not that an impairment does not exist. Factors considered include macroeconomic, industry and competitive conditions, legal and regulatory environment, historical financial performance and significant changes in the brand or reporting unit. If the qualitative assessment indicates a potential impairment then a quantitative assessment is performed.

The quantitative assessment requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates and the selection of a discount rate based on market data available at the time. In the quantitative assessment of indefinite-lived intangible assets, if the carrying amount of the indefinite-lived intangible asset exceeds its fair value, as determined by its discounted cash flows or another income-based approach, an impairment loss is recognized in an amount equal to that excess. Quantitative assessment of goodwill is performed using a two-step impairment test at the reporting unit level. A reporting unit can be a division or business within a division. The first step compares the book value of a reporting unit, including goodwill, with its fair value, as determined by its discounted cash flows. Discounted cash flows are primarily based on growth rates for sales and operating profit which are inputs from our annual long-range planning process. Additionally, they are also impacted by estimates of discount rates, perpetuity growth assumptions and other factors. If the book value of a reporting unit exceeds its fair value, we complete the second step to determine the amount of goodwill impairment loss that we should record, if any. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The amount of impairment loss is equal to the excess of the book value of the goodwill over the implied fair value of that goodwill.

Amortizable intangible assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. If an evaluation of the undiscounted future cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on its discounted future cash flows or another income-based approach.

Significant management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows or sales. Assumptions used in our impairment evaluations, such as forecasted growth rates and our cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. These assumptions could be adversely impacted by certain of the risks discussed in "Risk Factors" in Item 1A. and "Our Business Risks."

We did not recognize any impairment charges for goodwill in the three years ended December 28, 2013, December 29, 2012 and December 31, 2011. In addition, as of December 28, 2013, we did not have any reporting units that were at risk of failing the first step of the goodwill impairment test. We recognized no impairment charges for nonamortizable intangible assets in 2013. In 2012 and 2011, we recognized impairment charges in Europe for other nonamortizable intangible assets of \$23 million and \$14 million, respectively.

### **Income Tax Expense and Accruals**

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are subject to challenge and that we likely will not succeed. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances, such as the progress of a tax audit. See "Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely impact our financial performance." in "Risk Factors" in Item 1A.

An estimated annual effective tax rate is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item. We consider the tax adjustments from the resolution of prior year tax matters to be among such items.

Tax law requires items to be included in our tax returns at different times than the items are reflected in our financial statements. As a result, our annual tax rate reflected in our financial statements is different than that reported in our tax returns (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in our tax returns in future years for which we have already recorded the tax benefit in our income statement. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment has been deferred, or expense for which we have already taken a deduction in our tax return but have not yet recognized as expense in our financial statements.

In 2013, our annual tax rate was 23.7% compared to 25.2% in 2012, as discussed in “Other Consolidated Results.” The tax rate decreased 1.5 percentage points compared to the prior year, due to resolution with the IRS of audits for taxable years 2003 through 2009, the favorable tax effects of international refranchising, the reversal of international and state tax reserves resulting from the expiration of statutes of limitations, favorable resolution of certain tax matters and the lapping of the tax impact of the transaction with Tingyi in 2012. These decreases were partially offset by the lapping of a 2012 tax benefit related to a favorable tax court decision, the 2012 pre-payment of Medicare subsidy liabilities and the impact of the 2013 Venezuela devaluation.

### **Pension and Retiree Medical Plans**

Our pension plans cover certain full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. Certain U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the cost.

As of February 2012, certain U.S. employees earning a benefit under one of our defined benefit pension plans were no longer eligible for Company matching contributions on their 401(k) contributions.

In the fourth quarter of 2012, the Company offered certain former employees who had vested benefits in our defined benefit pension plans the option of receiving a one-time lump sum payment equal to the present value of the participant’s pension benefit (payable in cash or rolled over into a qualified retirement plan or Individual Retirement Account (IRA)). See Note 7 to our consolidated financial statements.

### ***Our Assumptions***

The determination of pension and retiree medical plan obligations and related expenses requires the use of assumptions to estimate the amount of benefits that employees earn while working, as well as the present value of those benefits. Annual pension and retiree medical expense amounts are principally based on four components: (1) the value of benefits earned by employees for working during the year (service cost), (2) the increase in the liability due to the passage of time (interest cost), and (3) other gains and losses as discussed below, reduced by (4) the expected return on assets for our funded plans.

Significant assumptions used to measure our annual pension and retiree medical expenses include:

- the interest rate used to determine the present value of liabilities (discount rate);
- certain employee-related factors, such as turnover, retirement age and mortality;
- the expected return on assets in our funded plans;
- for pension expense, the rate of salary increases for plans where benefits are based on earnings; and
- for retiree medical expense, health care cost trend rates.

Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Due to the significant management judgment involved, our assumptions could have a material impact on the measurement of our pension and retiree medical benefit expenses and obligations.

At each measurement date, the discount rates are based on interest rates for high-quality, long-term corporate debt securities with maturities comparable to those of our liabilities. In 2011, our U.S. discount rate was determined using the Mercer Pension Discount Yield Curve (Mercer Curve). The Mercer Curve used a portfolio of high-quality bonds rated Aa or higher by Moody's. In 2012, due to the downgrade of several global financial institutions by Moody's, Mercer developed a new curve, the Above Mean Curve, which we used to determine the discount rate for our U.S. pension and retiree medical plans as of year-end 2012 and going forward. These curves include bonds that closely match the timing and amount of our expected benefit payments and reflect the portfolio of investments we would consider to settle our liabilities.

The expected return on pension plan assets is based on our pension plan investment strategy and our expectations for long-term rates of return by asset class, taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. Our pension plan investment strategy includes the use of actively managed securities and is reviewed periodically in conjunction with plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities and real estate to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.5% for 2014 and 7.8% for 2013.

Our target investment allocations are as follows:

	2014	2013
Fixed income	40%	40%
U.S. equity	33%	33%
International equity	22%	22%
Real estate	5%	5%

Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations. To calculate the expected return on pension plan assets, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

The difference between the actual return on plan assets and the expected return on plan assets is added to, or subtracted from, other gains and losses resulting from actual experience differing from our assumptions and from changes in our assumptions determined at each measurement date. If this net accumulated gain or



loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year based upon the average remaining service period of active plan participants, which is approximately 11 years for pension expense and approximately 9 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

The health care trend rate used to determine our retiree medical plan's liability and expense is reviewed annually. Our review is based on our claim experience, information provided by our health plans and actuaries, and our knowledge of the health care industry. Our review of the trend rate considers factors such as demographics, plan design, new medical technologies and changes in medical carriers.

Weighted-average assumptions for pension and retiree medical expense are as follows:

	2014	2013	2012
<b>Pension</b>			
Expense discount rate	5.0%	4.2%	4.6%
Expected rate of return on plan assets	7.3%	7.5%	7.6%
Expected rate of salary increases	3.7%	3.7%	3.8%
<b>Retiree medical</b>			
Expense discount rate	4.6%	3.7%	4.4%
Expected rate of return on plan assets	7.5%	7.8%	7.8%
Current health care cost trend rate	6.4%	6.6%	6.8%

Based on our assumptions, we expect our pension and retiree medical expenses to decrease in 2014 primarily driven by higher discount rates.

### **Sensitivity of Assumptions**

A decrease in the discount rate or in the expected rate of return assumptions would increase pension expense. A 25-basis-point decrease in the discount rate and expected rate of return assumptions would increase the 2014 pension expense as follows:

Assumption	Amount
Discount rate	\$64 million
Expected rate of return	\$33 million

See Note 7 to our consolidated financial statements for information about the sensitivity of our retiree medical cost assumptions.

### **Funding**

We make contributions to pension trusts that provide plan benefits for certain pension plans. These contributions are made in accordance with applicable tax regulations that provide for current tax deductions for our contributions and taxation to the employee only upon receipt of plan benefits. Generally, we do not fund our pension plans when our contributions would not be currently tax deductible. As our retiree medical plans are not subject to regulatory funding requirements, we generally fund these plans on a pay-as-you-go basis, although we periodically review available options to make additional contributions toward these benefits.

Our pension contributions were \$200 million, \$1,614 million and \$239 million for 2013, 2012 and 2011, respectively, of which \$23 million, \$1,375 million and \$61 million, respectively, was discretionary. Discretionary contributions for 2012 included \$405 million pertaining to pension lump sum payments. In



2013, 2012 and 2011, we made non-discretionary contributions of \$62 million, \$111 million and \$110 million, respectively, to fund the payment of retiree medical claims. In 2012, we made a discretionary contribution of \$140 million to fund future U.S. retiree medical plan benefits.

In 2014, we expect to make pension and retiree medical contributions of approximately \$260 million, with approximately \$70 million for retiree medical benefits. Our pension and retiree medical contributions are subject to change as a result of many factors, such as changes in interest rates, deviations between actual and expected asset returns and changes in tax or other benefit laws. For estimated future benefit payments, including our pay-as-you-go payments as well as those from trusts, see Note 7 to our consolidated financial statements.

## OUR FINANCIAL RESULTS

### Items Affecting Comparability

The year-over-year comparisons of our financial results are affected by the following items:

	2013	2012	2011
<b>Net revenue</b>			
53 <sup>rd</sup> week	—	—	\$ 623
<b>Operating profit</b>			
Mark-to-market net (losses)/gains	\$ (72)	\$ 65	\$ (102)
Merger and integration charges	\$ (10)	\$ (11)	\$ (313)
Restructuring and impairment charges	\$ (163)	\$ (279)	\$ (383)
Venezuela currency devaluation	\$ (111)	—	—
Restructuring and other charges related to the transaction with Tingyi	—	\$ (150)	—
Pension lump sum settlement charge	—	\$ (195)	—
53 <sup>rd</sup> week	—	—	\$ 109
Inventory fair value adjustments	—	—	\$ (46)
<b>Interest expense</b>			
Merger and integration charges	—	\$ (5)	\$ (16)
53 <sup>rd</sup> week	—	—	\$ (16)
<b>Net income attributable to PepsiCo</b>			
Mark-to-market net (losses)/gains	\$ (44)	\$ 41	\$ (71)
Merger and integration charges	\$ (8)	\$ (12)	\$ (271)
Restructuring and impairment charges	\$ (129)	\$ (215)	\$ (286)
Venezuela currency devaluation	\$ (111)	—	—
Tax benefits	\$ 209	\$ 217	—
Restructuring and other charges related to the transaction with Tingyi	—	\$ (176)	—
Pension lump sum settlement charge	—	\$ (131)	—
53 <sup>rd</sup> week	—	—	\$ 64
Inventory fair value adjustments	—	—	\$ (28)
<b>Net income attributable to PepsiCo per common share – diluted</b>			
Mark-to-market net (losses)/gains	\$ (0.03)	\$ 0.03	\$ (0.04)
Merger and integration charges	\$ (0.01)	\$ (0.01)	\$ (0.17)
Restructuring and impairment charges	\$ (0.08)	\$ (0.14)	\$ (0.18)
Venezuela currency devaluation	\$ (0.07)	—	—
Tax benefits	\$ 0.13	\$ 0.14	—
Restructuring and other charges related to the transaction with Tingyi	—	\$ (0.11)	—
Pension lump sum settlement charge	—	\$ (0.08)	—
53 <sup>rd</sup> week	—	—	\$ 0.04
Inventory fair value adjustments	—	—	\$ (0.02)

***Mark-to-Market Net Impact***

We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market 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 net income. 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 2013, we recognized \$72 million (\$44 million after-tax or \$0.03 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

In 2012, we recognized \$65 million (\$41 million after-tax or \$0.03 per share) of mark-to-market net gains on commodity hedges in corporate unallocated expenses.

In 2011, we recognized \$102 million (\$71 million after-tax or \$0.04 per share) of mark-to-market net losses on commodity hedges in corporate unallocated expenses.

***Merger and Integration Charges***

In 2013, we incurred merger and integration charges of \$10 million (\$8 million after-tax or \$0.01 per share) related to our acquisition of WBD, all of which were recorded in the Europe segment.

In 2012, we incurred merger and integration charges of \$16 million (\$12 million after-tax or \$0.01 per share) related to our acquisition of WBD, including \$11 million recorded in the Europe segment and \$5 million recorded in interest expense.

In 2011, we incurred merger and integration charges of \$329 million (\$271 million after-tax or \$0.17 per share) related to our acquisitions of The Pepsi Bottling Group, Inc. (PBG), PepsiAmericas, Inc. (PAS) and WBD, including \$112 million recorded in the PAB segment, \$123 million recorded in the Europe segment, \$78 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. These charges also include closing costs and advisory fees related to our acquisition of WBD.

***Restructuring and Impairment 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 2013, we incurred restructuring charges of \$53 million (\$39 million after-tax or \$0.02 per share) in conjunction with our 2014 Productivity Plan, including \$11 million in the FLNA segment, \$3 million in the QFNA segment, \$5 million in the LAF segment, \$10 million in the PAB segment, \$10 million in the Europe segment, \$1 million in the AMEA segment and \$13 million recorded in corporate unallocated expenses.

We expect to incur pre-tax charges of approximately \$990 million, \$53 million of which was reflected in our 2013 results, approximately \$440 million of which will be reflected in our 2014 results and the balance of

which will be reflected in our 2015 through 2018 results. These charges totaling \$990 million will consist of approximately \$565 million of severance and other employee-related costs; approximately \$210 million for other costs, including consulting-related costs and the termination of leases and other contracts; and approximately \$215 million for asset impairments (all non-cash) resulting from plant closures and related actions. We anticipate approximately \$320 million of related cash expenditures during 2014, with the balance of approximately \$355 million of related cash expenditures in 2015 through 2018. See Note 3 to our consolidated financial statements.

### *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 2013, we incurred restructuring charges of \$110 million (\$90 million after-tax or \$0.06 per share) in conjunction with our 2012 Productivity Plan, including \$8 million in the FLNA segment, \$1 million in the QFNA segment, \$7 million in the LAF segment, \$21 million in the PAB segment, \$50 million in the Europe segment, \$25 million in the AMEA segment and income of \$2 million recorded in corporate unallocated expenses representing adjustments of previously recorded amounts.

In 2012, we incurred restructuring charges of \$279 million (\$215 million after-tax or \$0.14 per share) in conjunction with our 2012 Productivity Plan, including \$38 million recorded in the FLNA segment, \$9 million recorded in the QFNA segment, \$50 million recorded in the LAF segment, \$102 million recorded in the PAB segment, \$42 million recorded in the Europe segment, \$28 million recorded in the AMEA segment and \$10 million recorded in corporate unallocated expenses.

In 2011, we incurred restructuring charges of \$383 million (\$286 million after-tax or \$0.18 per share) in conjunction with our 2012 Productivity Plan, including \$76 million recorded in the FLNA segment, \$18 million recorded in the QFNA segment, \$48 million recorded in the LAF segment, \$81 million recorded in the PAB segment, \$77 million recorded in the Europe segment, \$9 million recorded in the AMEA segment and \$74 million recorded in corporate unallocated expenses.

We expect to incur pre-tax charges of approximately \$910 million, \$110 million of which was reflected in our 2013 results, \$279 million of which was reflected in our 2012 results, \$383 million of which was reflected in our 2011 results, and the balance of which will be reflected in our 2014 through 2015 results. These charges will consist of approximately \$560 million of severance and other employee-related costs; approximately \$270 million for other costs, including consulting-related costs and the termination of leases and other contracts; and approximately \$80 million for asset impairments (all non-cash) resulting from plant closures and related actions. These charges resulted in cash expenditures of \$133 million in 2013, \$343 million in 2012 and \$30 million in 2011, with the balance of approximately \$200 million expected in 2014 through 2015. See Note 3 to our consolidated financial statements.

### *Venezuela Currency Devaluation*

In 2013, we recorded a \$111 million net charge related to the devaluation of the bolivar for our Venezuela businesses. \$124 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$13 million) recorded in our PAB segment. In total, this net charge had an after-tax impact of \$111 million or \$0.07 per share.

### ***Tax Benefits***

In 2013, we recognized a non-cash tax benefit of \$209 million (\$0.13 per share) associated with our agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012. See Note 5 to our consolidated financial statements.

In 2012, we recognized a non-cash tax benefit of \$217 million (\$0.14 per share) associated with a favorable tax court decision related to the classification of financial instruments. See Note 5 to our consolidated financial statements.

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

In 2012, we recorded restructuring and other charges of \$150 million (\$176 million after-tax or \$0.11 per share) in the AMEA segment related to the transaction with Tingyi. See Note 15 to our consolidated financial statements.

### ***Pension Lump Sum Settlement Charge***

In 2012, we recorded a pension lump sum settlement charge in corporate unallocated expenses of \$195 million (\$131 million after-tax or \$0.08 per share). See Note 7 to our consolidated financial statements.

### ***53<sup>rd</sup> Week***

In 2011, we had an additional week of results (53<sup>rd</sup> week). Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. The 53<sup>rd</sup> week increased 2011 net revenue by \$623 million and operating profit by \$109 million (\$64 million after-tax or \$0.04 per share).

### ***Inventory Fair Value Adjustments***

In 2011, we recorded \$46 million (\$28 million after-tax or \$0.02 per share) of incremental costs in cost of sales related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.

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

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

## Results of Operations — Consolidated Review

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.

### Servings

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.

In 2013, total servings increased 2% compared to 2012. In 2012, total servings increased 3% compared to 2011. Excluding the impact of the 53<sup>rd</sup> week in 2011, total servings also increased 3% in 2012 compared to 2011. 2013 and 2012 servings growth reflects an adjustment to the base year for divestitures and business changes.

### Total Net Revenue and Operating Profit

	2013	2012	2011	Change	
				2013	2012
Total net revenue	\$ 66,415	\$ 65,492	\$ 66,504	1 %	(1.5)%
Operating profit					
FLNA	\$ 3,877	\$ 3,646	\$ 3,621	6 %	1 %
QFNA	617	695	797	(11)%	(13)%
LAF	1,242	1,059	1,078	17 %	(2)%
PAB	2,955	2,937	3,273	1 %	(10)%
Europe	1,293	1,330	1,210	(3)%	10 %
AMEA	1,174	747	887	57 %	(16)%
Corporate Unallocated					
Mark-to-market net (losses)/gains	(72)	65	(102)	n/m	n/m
Merger and integration charges	—	—	(78)	—	n/m
Restructuring and impairment charges	(11)	(10)	(74)	—	(86)%
Venezuela currency devaluation	(124)	—	—	n/m	—
Pension lump sum settlement charge	—	(195)	—	n/m	n/m
53 <sup>rd</sup> week	—	—	(18)	—	n/m
Other	(1,246)	(1,162)	(961)	7 %	21 %
Total operating profit	\$ 9,705	\$ 9,112	\$ 9,633	7 %	(5)%
Total operating profit margin	14.6%	13.9%	14.5%	0.7	(0.6)

n/m represents year-over-year changes that are not meaningful.

## 2013

On a reported basis, total operating profit increased 7% and operating margin increased 0.7 percentage points. Operating profit growth was primarily driven by effective net pricing and planned cost reductions across a number of expense categories, partially offset by certain operating cost increases including strategic initiatives related to capacity and capability, higher advertising and marketing expenses and higher commodity costs. Commodity inflation reduced operating profit growth by 2 percentage points, primarily attributable to inflation in the Europe, LAF and AMEA segments, partially offset by deflation in the PAB and FLNA segments. Operating profit also benefited from actions associated with our productivity initiatives, which contributed more than \$900 million in cost reductions across a number of expense categories among all of our divisions. Other corporate unallocated expenses increased 7%, reflecting incremental investments in our business. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 2.6 percentage points to total operating profit growth and 0.3 percentage points to total operating margin. Additionally, the gain from structural changes in the second quarter of 2013 due to the beverage refranchising in our Vietnam business increased total operating profit growth by 1.5 percentage points (see Note 15 to our consolidated financial statements). This gain was substantially offset during 2013 by incremental investments in our business, primarily in the AMEA and Europe segments and in corporate unallocated expenses.

## 2012

On a reported basis, total operating profit decreased 5% and operating margin decreased 0.6 percentage points. Operating profit performance was primarily driven by certain operating cost increases reflecting strategic initiatives related to capacity and capability, higher commodity costs, higher advertising and marketing expense and unfavorable foreign exchange, partially offset by effective net pricing. Other corporate unallocated expenses increased 21%, primarily driven by increased pension expense. Commodity inflation was approximately \$1.2 billion compared to the prior period, primarily attributable to PAB, FLNA and Europe. Operating profit also benefited from actions associated with our productivity initiatives, which contributed more than \$1 billion in cost reductions across a number of expense categories among all of our divisions. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 1.2 percentage points to the total operating profit performance and 0.4 percentage points to total operating margin.

## Other Consolidated Results

	2013	2012	2011	Change	
				2013	2012
Interest expense, net	\$ (814)	\$ (808)	\$ (799)	\$ (6)	\$ (9)
Annual tax rate	23.7%	25.2%	26.8%		
Net income attributable to PepsiCo	\$ 6,740	\$ 6,178	\$ 6,443	9%	(4)%
Net income attributable to PepsiCo per common share – diluted	\$ 4.32	\$ 3.92	\$ 4.03	10%	(3)%
Mark-to-market net losses/(gains)	0.03	(0.03)	0.04		
Merger and integration charges	0.01	0.01	0.17		
Restructuring and impairment charges	0.08	0.14	0.18		
Venezuela currency devaluation	0.07	—	—		
Tax benefits	(0.13)	(0.14)	—		
Restructuring and other charges related to the transaction with Tingyi	—	0.11	—		
Pension lump sum settlement charge	—	0.08	—		
53 <sup>rd</sup> week	—	—	(0.04)		
Inventory fair value adjustments	—	—	0.02		
Net income attributable to PepsiCo per common share - diluted, excluding above items <sup>(a)</sup>	\$ 4.37	<sup>(b)</sup> \$ 4.10	<sup>(b)</sup> \$ 4.40	7%	(7)%
Impact of foreign exchange translation				2	2
Growth in net income attributable to PepsiCo per common share – diluted, excluding above items, on a constant currency basis <sup>(a)</sup>				9%	(5)%

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

## 2013

Net interest expense increased \$6 million, primarily reflecting higher average debt balances and lower interest income due to lower investment interest rates, partially offset by higher gains on the market value of investments used to economically hedge a portion of our deferred compensation costs.

The tax rate decreased 1.5 percentage points compared to the prior year, due to resolution with the IRS of audits for taxable years 2003 through 2009, the favorable tax effects of international refranchising, the reversal of international and state tax reserves resulting from the expiration of statutes of limitations, favorable resolution of certain tax matters and the lapping of the tax impact of the transaction with Tingyi in 2012. These decreases were partially offset by the lapping of a 2012 tax benefit related to a favorable tax court decision, the 2012 pre-payment of Medicare subsidy liabilities and the impact of the 2013 Venezuela devaluation.

Net income attributable to PepsiCo increased 9% and net income attributable to PepsiCo per common share increased 10%. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 3 percentage points to both net income attributable to PepsiCo and net income attributable to PepsiCo per common share.



2012

Net interest expense increased \$9 million, primarily reflecting higher average debt balances and higher rates on our debt balances, partially offset by gains in the market value of investments used to economically hedge a portion of our deferred compensation costs and the impact of the 53<sup>rd</sup> week in the prior year.

The tax rate decreased 1.6 percentage points compared to 2011, primarily reflecting the tax impact of a favorable tax court decision combined with the pre-payment of Medicare subsidy liabilities, partially offset by the tax impact of the transaction with Tingyi and the lapping of prior year tax benefits related to a portion of our international bottling operations.

Net income attributable to PepsiCo decreased 4% and net income attributable to PepsiCo per common share decreased 3%. Items affecting comparability (see “Items Affecting Comparability”) positively contributed 4 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. Accordingly, 2013 and 2012 volume growth measures reflect an adjustment to the base year for divestitures and business changes. See “Items Affecting Comparability” for a discussion of items to consider when evaluating our results and related information regarding non-GAAP measures.

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
<b>Net Revenue, 2013</b>	<b>\$ 14,126</b>	<b>\$ 2,612</b>	<b>\$ 8,350</b>	<b>\$ 21,068</b>	<b>\$ 13,752</b>	<b>\$ 6,507</b>	<b>\$ 66,415</b>
Net Revenue, 2012	\$ 13,574	\$ 2,636	\$ 7,780	\$ 21,408	\$ 13,441	\$ 6,653	\$ 65,492
<i>% Impact of:</i>							
Volume <sup>(a)</sup>	3%	1 %	2 %	(4)%	0.5 %	5 %	— %
Effective net pricing <sup>(b)</sup>	2	(1)	11	3	3	7	4
Foreign exchange translation	—	—	(6)	(1)	(1)	(4)	(2)
Acquisitions and divestitures	—	—	—	—	—	(10)	(1)
<i>Reported growth<sup>(c)</sup></i>	<i>4%</i>	<i>(1)%</i>	<i>7 %</i>	<i>(2)%</i>	<i>2 %</i>	<i>(2)%</i>	<i>1 %</i>

	FLNA	QFNA	LAF	PAB	Europe	AMEA	Total
Net Revenue, 2012	\$13,574	\$ 2,636	\$ 7,780	\$ 21,408	\$13,441	\$ 6,653	\$65,492
Net Revenue, 2011	\$13,322	\$ 2,656	\$ 7,156	\$ 22,418	\$13,560	\$ 7,392	\$66,504
<i>% Impact of:</i>							
Volume <sup>(a)</sup>	(1)%	(1)%	4 %	(3)%	— %	8 %	— %
Effective net pricing <sup>(b)</sup>	3	1	10	3	4	2	4
Foreign exchange translation	—	—	(7)	—	(7)	(3)	(2.5)
Acquisitions and divestitures	—	—	2	(4.5)	2	(17)	(3)
<i>Reported growth<sup>(c)</sup></i>	<i>2 %</i>	<i>(1)%</i>	<i>9 %</i>	<i>(4.5)%</i>	<i>(1)%</i>	<i>(10)%</i>	<i>(1.5)%</i>

(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 franchised-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 accounting principles generally accepted in the U.S. Therefore, this measure is not, and should not be viewed as, a substitute for U.S. GAAP net revenue growth. In order to compute our organic revenue growth results, we exclude the impact of acquisitions and divestitures, foreign exchange translation and the 53<sup>rd</sup> week from reported net revenue growth. See also “Non-GAAP Measures.”

<b>2013</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
Reported Growth	4%	(1)%	7 %	(2)%	2 %	(2)%	1 %
% Impact of:							
Foreign exchange translation	—	—	6	1	1	4	2
Acquisitions and divestitures	—	—	—	—	—	10	1
<i>Organic Growth<sup>(a)</sup></i>	<u>4%</u>	<u>(0.5)%</u>	<u>13 %</u>	<u>(1)%</u>	<u>3.5 %</u>	<u>11 %</u>	<u>4 %</u>

<b>2012</b>	<b>FLNA</b>	<b>QFNA</b>	<b>LAF</b>	<b>PAB</b>	<b>Europe</b>	<b>AMEA</b>	<b>Total</b>
Reported Growth	2%	(1)%	9 %	(4.5)%	(1)%	(10)%	(1.5)%
% Impact of:							
Foreign exchange translation	—	—	7	—	7	3	2.5
Acquisitions and divestitures	—	—	(2)	4.5	(2)	17	3
53rd week	2	2	—	1	—	—	1
<i>Organic Growth<sup>(a)</sup></i>	<u>4%</u>	<u>1 %</u>	<u>14 %</u>	<u>1.5 %</u>	<u>4 %</u>	<u>10 %</u>	<u>5 %</u>

(a) Amounts may not sum due to rounding.

## Frito-Lay North America

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 14,126	\$ 13,574	\$ 13,322	4	2
53 <sup>rd</sup> week	—	—	(260)		
Net revenue excluding above item <sup>(a)</sup>	\$ 14,126	\$ 13,574	\$ 13,062	4	4
Impact of foreign exchange translation				—	—
Net revenue growth excluding above item, on a constant currency basis <sup>(a)</sup>				4	4
Operating profit	\$ 3,877	\$ 3,646	\$ 3,621	6	1
Restructuring and impairment charges	19	38	76		
53 <sup>rd</sup> week	—	—	(72)		
Operating profit excluding above items <sup>(a)</sup>	\$ 3,896	\$ 3,684	\$ 3,625	6	2
Impact of foreign exchange translation				—	—
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				6	2

(a) See “Non-GAAP Measures.”

### 2013

Net revenue grew 4% and pound volume grew 3%. Net revenue growth was driven by the volume growth and effective net pricing. The volume growth reflects high-single-digit growth in trademark Cheetos and in variety packs, low-single-digit growth in trademark Lay’s and double-digit growth in our Sabra joint venture. These gains were partially offset by a double-digit decline in trademark SunChips.

Operating profit grew 6%, primarily reflecting the net revenue growth and planned cost reductions across a number of expense categories, as well as lower commodity costs, primarily cooking oil, which increased operating profit growth by 2 percentage points. These impacts were partially offset by certain operating cost increases including strategic initiatives.

### 2012

Net revenue increased 2% and pound volume declined 1%. Net revenue growth was driven by effective net pricing, partially offset by the volume decline. The volume performance reflects double-digit declines in trademark SunChips and Rold Gold, a low-single-digit decline in trademark Lay’s and a mid-single-digit decline in trademark Tostitos, partially offset by a high-single-digit increase in variety packs and a double-digit increase in our Sabra joint venture. The impact of the 53<sup>rd</sup> week in the prior year reduced both volume and net revenue performance by 2 percentage points.

Operating profit grew 1%, driven by the net revenue growth and planned cost reductions across a number of expense categories, partially offset by higher commodity costs, primarily cooking oil, which reduced operating profit growth by 6 percentage points, and higher advertising and marketing expenses. The impact of the 53<sup>rd</sup> week in the prior year reduced operating profit growth by 2 percentage points. Lower restructuring and impairment charges contributed 1 percentage point to operating profit growth.

## Quaker Foods North America

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 2,612	\$ 2,636	\$ 2,656	(1)	(1)
53 <sup>rd</sup> week	—	—	(42)		
Net revenue excluding above item <sup>(a)</sup>	\$ 2,612	\$ 2,636	\$ 2,614	(1)	1
Impact of foreign exchange translation				—	—
Net revenue growth excluding above item, on a constant currency basis <sup>(a)</sup>				(0.5) <sup>(b)</sup>	1
Operating profit	\$ 617	\$ 695	\$ 797	(11)	(13)
Restructuring and impairment charges	4	9	18		
53 <sup>rd</sup> week	—	—	(12)		
Operating profit excluding above items <sup>(a)</sup>	\$ 621	\$ 704	\$ 803	(12)	(12)
Impact of foreign exchange translation				—	—
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				(11) <sup>(b)</sup>	(12)

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

### 2013

Net revenue declined 1% and volume increased 3%. The net revenue decline primarily reflects unfavorable product mix. The volume growth primarily reflects growth in Müller Quaker Dairy (MQD) products (launched in the prior year) and low-single-digit growth in Oatmeal and Aunt Jemima syrup and mix.

Operating profit declined 11%, reflecting the unfavorable product mix, as well as our share of the operating results of our MQD joint venture, which negatively impacted operating profit performance by 6 percentage points, and certain operating cost increases reflecting strategic initiatives. These impacts were partially offset by planned cost reductions across a number of expense categories and the volume growth.

### 2012

Net revenue and volume declined 1%. The net revenue decline reflects the lower volume, partially offset by effective net pricing. The volume decline primarily reflects a double-digit decline in Chewy granola bars and a low-single-digit decline in oatmeal, partially offset by the introduction of Soft Baked Cookies in the second quarter of 2012. The volume and net revenue declines reflect the impact of the 53<sup>rd</sup> week in 2011, which contributed nearly 2 percentage points to both the net revenue and volume declines.

Operating profit declined 13%, primarily reflecting higher commodity costs, which negatively impacted operating profit performance by 9 percentage points, partially offset by lower general and administrative expenses and effective net pricing. The net impact of acquisitions and divestitures, including the operating results of our MQD joint venture and the gain on the divestiture of a business in the prior year, reduced operating profit performance by 5 percentage points. Additionally, the benefit from a change in accounting methodology for inventory and the sale of a distribution center, both of which were recorded in the prior year, each contributed 2 percentage points to the operating profit decline. The net impact of items affecting comparability in the above table (see “Items Affecting Comparability”) negatively impacted operating profit performance by 1 percentage point.

## Latin America Foods

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 8,350	\$ 7,780	\$ 7,156	7	9
Impact of foreign exchange translation				6	7
Net revenue growth, on a constant currency basis <sup>(a)</sup>				13	16
Operating profit	\$ 1,242	\$ 1,059	\$ 1,078	17	(2)
Restructuring and impairment charges	12	50	48		
Operating profit excluding above item <sup>(a)</sup>	\$ 1,254	\$ 1,109	\$ 1,126	13	(1.5)
Impact of foreign exchange translation				5	5.5
Operating profit growth excluding above item, on a constant currency basis <sup>(a)</sup>				18	4

(a) See “Non-GAAP Measures.”

### 2013

Net revenue increased 7%, primarily reflecting favorable effective net pricing. Unfavorable foreign exchange reduced net revenue growth by 6 percentage points.

Volume increased 2%, reflecting a mid-single-digit increase in Brazil and low-single-digit growth in Mexico.

Operating profit increased 17%, reflecting the net revenue growth and planned cost reductions across a number of expense categories, partially offset by certain operating cost increases and higher advertising and marketing expenses, as well as higher commodity costs, which reduced operating profit growth by 15 percentage points. Lower restructuring and impairment charges increased operating profit growth by 4 percentage points. Unfavorable foreign exchange reduced operating profit growth by 5 percentage points.

Mexico recently imposed a tax on certain foods that exceed specified caloric content. These taxes may adversely affect LAF’s future financial performance. See also “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.” in “Risk Factors” in Item 1A.

### 2012

Net revenue increased 9%, primarily reflecting effective net pricing and volume growth. Acquisitions and divestitures in Argentina and Brazil in the prior year contributed 2 percentage points to net revenue growth. Unfavorable foreign exchange reduced net revenue growth by 7 percentage points.

Volume increased 13%, primarily reflecting a mid-single-digit increase in Mexico and a slight increase in Brazil (excluding the impact of an acquisition). Acquisitions contributed 9 percentage points to the volume growth.

Operating profit decreased 2%, driven by higher commodity costs, which negatively impacted operating profit performance by 17 percentage points, as well as certain operating cost increases reflecting strategic initiatives. These impacts were partially offset by the net revenue growth and planned cost reductions across a number of expense categories. The net impact of acquisitions and divestitures reduced operating profit growth by 3.5 percentage points, primarily as a result of a gain in the prior year associated with the sale of a fish business in Brazil. Unfavorable foreign exchange reduced operating profit growth by 5.5 percentage points.

## PepsiCo Americas Beverages

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 21,068	\$ 21,408	\$ 22,418	(2)	(4.5)
53 <sup>rd</sup> week	—	—	(288)		
Net revenue excluding above item <sup>(a)</sup>	\$ 21,068	\$ 21,408	\$ 22,130	(2)	(3)
Impact of foreign exchange translation				1	—
Net revenue growth excluding above item, on a constant currency basis <sup>(a)</sup>				(1)	(3)
Operating profit	\$ 2,955	\$ 2,937	\$ 3,273	1	(10)
Merger and integration charges	—	—	112		
Restructuring and impairment charges	31	102	81		
Venezuela currency devaluation	(13)	—	—		
53 <sup>rd</sup> week	—	—	(35)		
Inventory fair value adjustments	—	—	21		
Operating profit excluding above items <sup>(a)</sup>	\$ 2,973	\$ 3,039	\$ 3,452	(2)	(12)
Impact of foreign exchange translation				3	1
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				1	(11)

(a) See “Non-GAAP Measures.”

### 2013

Net revenue decreased 2%, reflecting volume declines, partially offset by favorable effective net pricing. Unfavorable foreign exchange negatively impacted net revenue performance by 1 percentage point.

Volume decreased 3%, primarily reflecting North America volume declines of 4%, while Latin America volume was even with the prior year. The North America volume performance was driven by a 5% decline in CSD volume and a 2% decline in non-carbonated beverage volume. The North America non-carbonated beverage volume decline primarily reflected a high-single-digit decline in our overall water portfolio. The Latin America volume performance primarily reflected a double-digit decrease in Brazil and a low-single-digit decrease in Argentina, offset by a double-digit increase in Venezuela and a low-single-digit increase in Mexico.

Reported operating profit increased 1%. Excluding the items affecting comparability in the above table (see “Items Affecting Comparability”), operating profit declined 2%, primarily reflecting the volume declines and certain operating cost increases. These impacts were partially offset by the favorable effective net pricing and planned cost reductions across a number of expense categories, as well as lower commodity costs, which increased reported operating profit by 6 percentage points. Unfavorable foreign exchange reduced operating profit growth by 3 percentage points.

Mexico recently imposed a tax on sugar-sweetened beverages. These taxes may adversely affect PAB’s future financial performance. See also “Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect our financial performance.” in “Risk Factors” in Item 1A.

### 2012

Net revenue decreased 4.5%, primarily reflecting the divestiture of our Mexico beverage business in the fourth quarter of 2011, which contributed 5 percentage points to the net revenue decline. Additionally, volume declines were offset by favorable effective net pricing. The impact of the 53<sup>rd</sup> week in the prior year contributed over 1 percentage point to the net revenue decline.

Volume decreased 2%, driven by a 4% decline in North America volume, partially offset by a 2% increase in Latin America volume. North America volume declines were driven by a 4% decline in CSDs and a 3% decline in non-carbonated beverage volumes. The non-carbonated beverage volume decline primarily reflected a double-digit decline in Tropicana brands and a low-single-digit decline in Gatorade sports drinks. Latin America volume growth primarily reflected mid-single-digit increases in Mexico and Brazil, partially offset by a high-single-digit decline in Venezuela. The impact of the 53<sup>rd</sup> week in the prior year contributed 1 percentage point to the volume decline.

Reported operating profit decreased 10%, primarily reflecting higher commodity costs, which negatively impacted operating profit performance by 12 percentage points, the volume decline and higher advertising and marketing expenses, partially offset by effective net pricing and planned cost reductions across a number of expense categories. Excluding the items affecting comparability in the above table (see “Items Affecting Comparability”) operating profit declined 12%. The divestiture of our Mexico beverage business in 2011 contributed nearly 3 percentage points to the reported operating profit decline and included a one-time gain associated with the contribution of this business to form a joint venture with both Organizacion Cultiva SAB de CV, formerly Geupac, and Empresas Polar. Unfavorable foreign exchange contributed 1 percentage point to the operating profit decline.

## Europe

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 13,752	\$ 13,441	\$ 13,560	2	(1)
53 <sup>rd</sup> week	—	—	(33)		
Net revenue excluding above item <sup>(a)</sup>	<u>\$ 13,752</u>	<u>\$ 13,441</u>	<u>\$ 13,527</u>	2	(1)
Impact of foreign exchange translation				1	7
Net revenue growth excluding above item, on a constant currency basis <sup>(a)</sup>				<u>3.5</u> <sup>(b)</sup>	<u>6</u>
Operating profit	\$ 1,293	\$ 1,330	\$ 1,210	(3)	10
Merger and integration charges	10	11	123		
Restructuring and impairment charges	60	42	77		
53 <sup>rd</sup> week	—	—	(8)		
Inventory fair value adjustments	—	—	25		
Operating profit excluding above items <sup>(a)</sup>	<u>\$ 1,363</u>	<u>\$ 1,383</u>	<u>\$ 1,427</u>	(1.5)	(3)
Impact of foreign exchange translation				1	6
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				<u>—</u> <sup>(b)</sup>	<u>3</u>

(a) See “Non-GAAP Measures.”

(b) Does not sum due to rounding.

## 2013

Net revenue increased 2%, primarily reflecting effective net pricing and volume growth. Unfavorable foreign exchange reduced net revenue growth by 1 percentage point.

Snacks volume grew 3% primarily reflecting high-single-digit growth in Turkey and South Africa, partially offset by low-single-digit declines in the United Kingdom and Spain. Additionally, Russia and the Netherlands experienced low-single-digit growth.



Beverage volume declined 1%, reflecting low-single-digit declines in Turkey, Germany and in Russia, partially offset by slight growth in the United Kingdom.

Operating profit declined 3%, primarily driven by certain operating cost increases reflecting strategic initiatives, as well as higher commodity costs, primarily milk, which negatively impacted operating profit performance by 15 percentage points, partially offset by the net revenue growth and planned cost reductions across a number of expense categories. Incremental investments in our business negatively impacted operating profit performance by 2 percentage points, which was substantially offset by the impact of lapping prior year impairment charges, which positively contributed nearly 2 percentage points to operating profit performance. The impact of items affecting comparability in the above table (see “Items Affecting Comparability”) negatively impacted operating profit performance by 1.5 percentage points.

2012

Net revenue decreased 1%, primarily reflecting unfavorable foreign exchange, which reduced net revenue growth by 7 percentage points, partially offset by effective net pricing. Our acquisition of WBD positively contributed 2 percentage points to the net revenue performance.

Snacks volume grew 3%, mainly due to our acquisition of WBD, which contributed 2 percentage points to volume growth and declined slightly for the comparable post-acquisition period. Double-digit growth in Russia (ex-WBD) and mid-single-digit growth in South Africa were partially offset by a mid-single-digit decline in Poland. Additionally, the United Kingdom was flat.

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

Operating profit increased 10%, primarily reflecting the items affecting comparability in the above table (see “Items Affecting Comparability”). Excluding these items affecting comparability, operating profit declined 3%, driven by higher commodity costs and unfavorable foreign exchange, which reduced reported operating profit performance by 17 percentage points and 6 percentage points, respectively, as well as certain operating cost increases reflecting strategic initiatives. These impacts were partially offset by the effective net pricing and planned cost reductions across a number of expense categories. Additionally, certain impairment charges primarily associated with our operations in Greece reduced reported operating profit growth by 2 percentage points.

## Asia, Middle East and Africa

	2013	2012	2011	% Change	
				2013	2012
Net revenue	\$ 6,507	\$ 6,653	\$ 7,392	(2)	(10)
Impact of foreign exchange translation				4	3
Net revenue growth, on a constant currency basis <sup>(a)</sup>				2	(7)
Operating profit	\$ 1,174	\$ 747	\$ 887	57	(16)
Restructuring and impairment charges	26	28	9		
Restructuring and other charges related to the transaction with Tingyi	—	150	—		
Operating profit excluding above items <sup>(a)</sup>	\$ 1,200	\$ 925	\$ 896	30	3
Impact of foreign exchange translation				2	1
Operating profit growth excluding above items, on a constant currency basis <sup>(a)</sup>				32	4

(a) See “Non-GAAP Measures.”

### 2013

Net revenue declined 2%, reflecting the impact of the prior year transaction with Tingyi and the Vietnam beverage refranchising, which negatively impacted net revenue performance by 5.5 percentage points and 4 percentage points, respectively. The prior year deconsolidation of International Dairy and Juice Limited (IDJ) had a slight negative impact on net revenue performance. These impacts were offset by favorable effective net pricing and volume growth. Unfavorable foreign exchange negatively impacted net revenue performance by 4 percentage points.

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

Beverage volume grew 12%, driven by double-digit growth in China (including the co-branded juice products distributed through our strategic alliance with Tingyi) and Pakistan, partially offset by a double-digit decline in Thailand. Additionally, the Middle East experienced low-single-digit growth and India experienced slight growth.

Operating profit grew 57%, reflecting the impact of lapping restructuring and other charges related to the prior year transaction with Tingyi included in the above table (see “Items Affecting Comparability”) and a one-time gain of \$137 million associated with the Vietnam beverage refranchising (which contributed 18 percentage points to reported operating profit growth). Excluding items affecting comparability, operating profit grew 30%, reflecting the one-time gain associated with the Vietnam beverage refranchising (which contributed 15 percentage points to operating profit growth excluding items affecting comparability). Operating profit performance also reflected the effective net pricing, volume growth and planned cost reductions across a number of expense categories, partially offset by certain operating cost increases reflecting strategic initiatives, higher advertising and marketing expenses, as well as higher commodity costs, which reduced operating profit growth by 5 percentage points. The impact of incremental investments in our business reduced operating profit growth by 7 percentage points.

2012

Net revenue declined 10%, reflecting the impact of the transaction with Tingyi and the deconsolidation of IDJ, which reduced net revenue performance by 15 percentage points and 2 percentage points, respectively, partially offset by volume growth and effective net pricing. Unfavorable foreign exchange negatively impacted net revenue performance by nearly 3 percentage points.

Snacks volume grew 14%, reflecting broad-based increases, which included double-digit growth in the Middle East, India and China. Additionally, Australia experienced low-single-digit growth.

Beverage volume grew 10%, driven by double-digit growth in India and Pakistan and high-single-digit growth in the Middle East as well as in China, which included the benefit of new co-branded juice products distributed through our joint venture with Tingyi. The Tingyi co-branded volume had a 4-percentage-point impact on AMEA's reported beverage volume. Excluding the benefit of the Tingyi co-branded volume, beverage volume in China declined high-single digits due to Tingyi's transitional impact on AMEA's legacy juice business, the introduction of a 500ml PET value package in the third quarter of 2011, which largely replaced our 600ml offering in the market, and the timing of the New Year's holiday.

Operating profit declined 16%, driven by the items affecting comparability in the above table (see "Items Affecting Comparability"). Excluding these items affecting comparability, operating profit increased 3%, reflecting the volume growth and effective net pricing, partially offset by higher commodity costs, which negatively impacted operating profit performance by 10 percentage points. Excluding the restructuring and other charges related to the transaction with Tingyi listed in the above items affecting comparability, the net impact of acquisitions and divestitures reduced reported operating profit by 2 percentage points, primarily as a result of a one-time gain in the prior year associated with the sale of our investment in our franchise bottler in Thailand, which negatively impacted reported operating profit performance by 13 percentage points. This decline was partially offset by the impact of structural changes related to the transaction with Tingyi, which positively contributed 11 percentage points to reported operating profit performance. Unfavorable foreign exchange reduced reported operating profit performance by 1 percentage point.

### **Our Liquidity and Capital Resources**

We believe that our cash generating capability and financial condition, together with our revolving credit facilities and other available methods of debt financing (including long-term debt financing which, depending upon market conditions, we may use to replace a portion of our commercial paper borrowings), will be adequate to meet our operating, investing and financing needs. Sources of cash available to us to fund cash outflows, such as our anticipated share repurchases and dividend payments, include cash from operations and proceeds obtained in the U.S. debt markets. However, there can be no assurance that volatility in the global credit markets will not impair our ability to access these markets on terms commercially acceptable to us, or at all. See Note 9 to our consolidated financial statements for a description of our credit facilities. See also "Unfavorable economic conditions may have an adverse impact on our business results or financial condition." in "Risk Factors" in Item 1A.

As of December 28, 2013, we had cash, cash equivalents and short-term investments of \$8.4 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. Effective February 2013, the Venezuelan government devalued the bolivar by resetting the official exchange rate from 4.3 bolivars per dollar to 6.3 bolivars per dollar. As of December 28, 2013 and December 29, 2012 our operations in Venezuela comprised 5% and 7%, respectively, of our cash and cash equivalents balance. For additional information on the impact of the

devaluation, see “Market Risks - Foreign Exchange” in “Our Business Risks” and “Items Affecting Comparability.”

Furthermore, our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter. On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, joint ventures, share repurchases and other structural changes. These transactions may result in future cash proceeds or payments.

The table below summarizes our cash activity:

	2013	2012	2011
Net cash provided by operating activities	\$ 9,688	\$ 8,479	\$ 8,944
Net cash used for investing activities	\$ (2,625)	\$ (3,005)	\$ (5,618)
Net cash used for financing activities	\$ (3,789)	\$ (3,306)	\$ (5,135)

### ***Operating Activities***

During 2013, net cash provided by operating activities was \$9.7 billion, compared to \$8.5 billion in the prior year. The operating cash flow performance primarily reflects the overlap of discretionary pension and retiree medical contributions of \$1.5 billion (\$1.1 billion after-tax) made in the prior year, higher restructuring and Tingyi payments in the prior year and favorable working capital comparisons to 2012. These impacts were partially offset by U.S. federal net cash tax payments of \$758 million, including interest, related to an agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009 and \$226 million of cash payments for other Federal, state and local tax matters related to open tax years. See Note 5 to our consolidated financial statements.

During 2012, net cash provided by operating activities was \$8.5 billion, compared to \$8.9 billion in the prior year. The operating cash flow performance primarily reflects discretionary pension and retiree medical contributions of \$1.5 billion (\$1.1 billion after-tax) in 2012, partially offset by favorable working capital comparisons to 2011.

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

### ***Investing Activities***

During 2013, net cash used for investing activities was \$2.6 billion, primarily reflecting \$2.7 billion for net capital spending.

During 2012, net cash used for investing activities was \$3.0 billion, primarily reflecting \$2.6 billion for net capital spending and \$0.3 billion of cash payments related to the transaction with Tingyi.

We expect 2014 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 2013, net cash used for financing activities was \$3.8 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$6.4 billion, partially offset by net proceeds from short-term borrowings of \$1.2 billion, stock option proceeds of \$1.1 billion and net proceeds from long-term debt of \$0.3 billion.

During 2012, net cash used for financing activities was \$3.3 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of \$6.5 billion as well as

net repayments of short-term borrowings of \$1.5 billion, partially offset by net proceeds from long-term debt of \$3.6 billion and stock option proceeds of \$1.1 billion.

We annually review our capital structure with our Board of Directors, including our dividend policy and share repurchase activity. In the first quarter of 2013, we approved a new share repurchase program providing for the repurchase of up to \$10 billion of PepsiCo common stock from July 1, 2013 through June 30, 2016, which succeeded the repurchase program that expired on June 30, 2013. In addition, on February 13, 2014, we announced a 15% increase in our annualized dividend to \$2.62 per share from \$2.27 per share, effective with the dividend that is expected to be paid in June 2014. Under these programs, we expect to return a total of \$8.7 billion to shareholders in 2014 through dividends of approximately \$3.7 billion and share repurchases of approximately \$5 billion.

### Free Cash Flow

We focus on free cash flow, which we also refer to as management operating 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, 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 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.

	2013	2012	2011	% Change	
				2013	2012
Net cash provided by operating activities	\$ 9,688	\$ 8,479	\$ 8,944	14	(5)
Capital spending	(2,795)	(2,714)	(3,339)		
Sales of property, plant and equipment	109	95	84		
Free cash flow	7,002	5,860	5,689	19	3
Discretionary pension and retiree medical contributions (after-tax)	20	1,051	44		
Merger and integration payments (after-tax)	21	63	283		
Payments related to restructuring charges (after-tax)	105	260	21		
Net payments related to income tax settlements	984	—	—		
Net capital investments related to merger and integration	(4)	10	108		
Net capital investments related to restructuring plan	8	26	—		
Payments for restructuring and other charges related to the transaction with Tingyi (after-tax)	26	117	—		
Free cash flow excluding above items	\$ 8,162	\$ 7,387	\$ 6,145	10	20

In all years presented, free cash flow was used primarily to repurchase shares and pay dividends. 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 credit markets at favorable interest rates. However, see “Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.” in “Risk Factors” in Item 1A. and “Our Business Risks” for certain factors that may impact our credit ratings or our operating cash flows.

Any downgrade of our credit ratings by a credit rating agency, especially any downgrade to below investment grade, whether 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 “Our Business Risks”, Note 9 to our consolidated financial statements and “Our borrowing costs and access to capital and credit markets may be adversely affected by a downgrade or potential downgrade of our credit ratings.” in “Risk Factors” in Item 1A.

***Credit Facilities and Long-Term Contractual Commitments***

See Note 9 to our consolidated financial statements for a description of our credit facilities and long-term contractual commitments.

***Off-Balance-Sheet Arrangements***

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. Additionally, we do not enter into off-balance-sheet transactions specifically structured to provide income or tax benefits or to avoid recognizing or disclosing assets or liabilities. See Note 9 to our consolidated financial statements.

# Consolidated Statement of Income

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

(in millions except per share amounts)

	2013	2012	2011
<b>Net Revenue</b>	<b>\$ 66,415</b>	<b>\$ 65,492</b>	<b>\$ 66,504</b>
Cost of sales	31,243	31,291	31,593
Selling, general and administrative expenses	25,357	24,970	25,145
Amortization of intangible assets	110	119	133
<b>Operating Profit</b>	<b>9,705</b>	<b>9,112</b>	<b>9,633</b>
Interest expense	(911)	(899)	(856)
Interest income and other	97	91	57
Income before income taxes	8,891	8,304	8,834
Provision for income taxes	2,104	2,090	2,372
Net income	6,787	6,214	6,462
Less: Net income attributable to noncontrolling interests	47	36	19
<b>Net Income Attributable to PepsiCo</b>	<b>\$ 6,740</b>	<b>\$ 6,178</b>	<b>\$ 6,443</b>
<b>Net Income Attributable to PepsiCo per Common Share</b>			
<b>Basic</b>	<b>\$ 4.37</b>	<b>\$ 3.96</b>	<b>\$ 4.08</b>
<b>Diluted</b>	<b>\$ 4.32</b>	<b>\$ 3.92</b>	<b>\$ 4.03</b>
Weighted-average common shares outstanding			
Basic	1,541	1,557	1,576
Diluted	1,560	1,575	1,597
Cash dividends declared per common share	\$ 2.24	\$ 2.1275	\$ 2.025

See accompanying notes to consolidated financial statements.



# Consolidated Statement of Comprehensive Income

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

(in millions)

	2013		
	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			\$ 6,787
Other Comprehensive Income			
Currency translation adjustment	\$ (1,303)	\$ —	(1,303)
Cash flow hedges:			
Reclassification of net losses to net income	45	(17)	28
Net derivative losses	(20)	10	(10)
Pension and retiree medical:			
Net prior service cost	(23)	8	(15)
Net gains	2,540	(895)	1,645
Unrealized gains on securities	57	(28)	29
Other	—	(16)	(16)
Total Other Comprehensive Income	\$ 1,296	\$ (938)	358
Comprehensive income			7,145
Comprehensive income attributable to noncontrolling interests			(45)
<b>Comprehensive Income Attributable to PepsiCo</b>			<b>\$ 7,100</b>

	2012		
	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			\$ 6,214
Other Comprehensive Income			
Currency translation adjustment	\$ 737	\$ —	737
Cash flow hedges:			
Reclassification of net losses to net income	90	(32)	58
Net derivative losses	(50)	10	(40)
Pension and retiree medical:			
Net prior service cost	(32)	12	(20)
Net losses	(41)	(11)	(52)
Unrealized gains on securities	18	—	18
Other	—	36	36
Total Other Comprehensive Income	\$ 722	\$ 15	737
Comprehensive income			6,951
Comprehensive income attributable to noncontrolling interests			(31)
<b>Comprehensive Income Attributable to PepsiCo</b>			<b>\$ 6,920</b>

	2011		
	Pre-tax amounts	Tax amounts	After-tax amounts
Net income			\$ 6,462
Other Comprehensive Loss			
Currency translation adjustment	\$ (1,464)	\$ —	(1,464)
Cash flow hedges:			
Reclassification of net losses to net income	5	4	9
Net derivative losses	(126)	43	(83)
Pension and retiree medical:			
Net prior service cost	(18)	8	(10)
Net losses	(1,468)	501	(967)
Unrealized losses on securities	(27)	19	(8)
Other	(16)	5	(11)
Total Other Comprehensive Loss	\$ (3,114)	\$ 580	(2,534)
Comprehensive income			3,928
Comprehensive income attributable to noncontrolling interests			(84)
<b>Comprehensive Income Attributable to PepsiCo</b>			<b>\$ 3,844</b>



## Consolidated Statement of Cash Flows

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

(in millions)

	2013	2012	2011
<b>Operating Activities</b>			
Net income	\$ 6,787	\$ 6,214	\$ 6,462
Depreciation and amortization	2,663	2,689	2,737
Stock-based compensation expense	303	278	326
Merger and integration costs	10	16	329
Cash payments for merger and integration costs	(25)	(83)	(377)
Restructuring and impairment charges	163	279	383
Cash payments for restructuring charges	(133)	(343)	(31)
Restructuring and other charges related to the transaction with Tingyi	—	176	—
Cash payments for restructuring and other charges related to the transaction with Tingyi	(26)	(109)	—
Non-cash foreign exchange loss related to Venezuela devaluation	111	—	—
Excess tax benefits from share-based payment arrangements	(117)	(124)	(70)
Pension and retiree medical plan contributions	(262)	(1,865)	(349)
Pension and retiree medical plan expenses	663	796	571
Deferred income taxes and other tax charges and credits	(1,058)	321	495
Change in accounts and notes receivable	(88)	(250)	(666)
Change in inventories	4	144	(331)
Change in prepaid expenses and other current assets	(51)	89	(27)
Change in accounts payable and other current liabilities	1,007	548	520
Change in income taxes payable	86	(97)	(340)
Other, net	(349)	(200)	(688)
<b>Net Cash Provided by Operating Activities</b>	<b>9,688</b>	<b>8,479</b>	<b>8,944</b>
<b>Investing Activities</b>			
Capital spending	(2,795)	(2,714)	(3,339)
Sales of property, plant and equipment	109	95	84
Acquisition of WBD, net of cash and cash equivalents acquired	—	—	(2,428)
Investment in WBD	—	—	(164)
Cash payments related to the transaction with Tingyi	(3)	(306)	—
Other acquisitions and investments in noncontrolled affiliates	(109)	(121)	(601)
Divestitures	133	(32)	780
Short-term investments, by original maturity			
More than three months – maturities	—	—	21
Three months or less, net	61	61	45
Other investing, net	(21)	12	(16)
<b>Net Cash Used for Investing Activities</b>	<b>(2,625)</b>	<b>(3,005)</b>	<b>(5,618)</b>

(Continued on following page)

## Consolidated Statement of Cash Flows (continued)

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

(in millions)

	2013	2012	2011
<b>Financing Activities</b>			
Proceeds from issuances of long-term debt	\$ 4,195	\$ 5,999	\$ 3,000
Payments of long-term debt	(3,894)	(2,449)	(1,596)
Debt repurchase	—	—	(771)
Short-term borrowings, by original maturity			
More than three months – proceeds	23	549	523
More than three months – payments	(492)	(248)	(559)
Three months or less, net	1,634	(1,762)	339
Cash dividends paid	(3,434)	(3,305)	(3,157)
Share repurchases – common	(3,001)	(3,219)	(2,489)
Share repurchases – preferred	(7)	(7)	(7)
Proceeds from exercises of stock options	1,123	1,122	945
Excess tax benefits from share-based payment arrangements	117	124	70
Acquisition of noncontrolling interests	(20)	(68)	(1,406)
Other financing	(33)	(42)	(27)
<b>Net Cash Used for Financing Activities</b>	<b>(3,789)</b>	<b>(3,306)</b>	<b>(5,135)</b>
Effect of exchange rate changes on cash and cash equivalents	(196)	62	(67)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>3,078</b>	<b>2,230</b>	<b>(1,876)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>6,297</b>	<b>4,067</b>	<b>5,943</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 9,375</b>	<b>\$ 6,297</b>	<b>\$ 4,067</b>

See accompanying notes to consolidated financial statements.

## Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

December 28, 2013 and December 29, 2012

(in millions except per share amounts)

	2013	2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,375	\$ 6,297
Short-term investments	303	322
Accounts and notes receivable, net	6,954	7,041
Inventories	3,409	3,581
Prepaid expenses and other current assets	2,162	1,479
<b>Total Current Assets</b>	<b>22,203</b>	<b>18,720</b>
<b>Property, Plant and Equipment, net</b>	<b>18,575</b>	<b>19,136</b>
<b>Amortizable Intangible Assets, net</b>	<b>1,638</b>	<b>1,781</b>
Goodwill	16,613	16,971
Other nonamortizable intangible assets	14,401	14,744
<b>Nonamortizable Intangible Assets</b>	<b>31,014</b>	<b>31,715</b>
<b>Investments in Noncontrolled Affiliates</b>	<b>1,841</b>	<b>1,633</b>
<b>Other Assets</b>	<b>2,207</b>	<b>1,653</b>
<b>Total Assets</b>	<b>\$ 77,478</b>	<b>\$ 74,638</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term obligations	\$ 5,306	\$ 4,815
Accounts payable and other current liabilities	12,533	11,903
Income taxes payable	—	371
<b>Total Current Liabilities</b>	<b>17,839</b>	<b>17,089</b>
<b>Long-Term Debt Obligations</b>	<b>24,333</b>	<b>23,544</b>
<b>Other Liabilities</b>	<b>4,931</b>	<b>6,543</b>
<b>Deferred Income Taxes</b>	<b>5,986</b>	<b>5,063</b>
<b>Total Liabilities</b>	<b>53,089</b>	<b>52,239</b>
Commitments and contingencies		
<b>Preferred Stock, no par value</b>	<b>41</b>	<b>41</b>
<b>Repurchased Preferred Stock</b>	<b>(171)</b>	<b>(164)</b>
<b>PepsiCo Common Shareholders' Equity</b>		
Common stock, par value 1 <sup>2</sup> / <sub>3</sub> ¢ per share (authorized 3,600 shares, issued, net of repurchased common stock at par value: 1,529 and 1,544 shares, respectively)	25	26
Capital in excess of par value	4,095	4,178
Retained earnings	46,420	43,158
Accumulated other comprehensive loss	(5,127)	(5,487)
Repurchased common stock, in excess of par value (337 and 322 shares, respectively)	(21,004)	(19,458)
<b>Total PepsiCo Common Shareholders' Equity</b>	<b>24,409</b>	<b>22,417</b>
Noncontrolling interests	110	105
<b>Total Equity</b>	<b>24,389</b>	<b>22,399</b>
<b>Total Liabilities and Equity</b>	<b>\$ 77,478</b>	<b>\$ 74,638</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Equity

PepsiCo, Inc. and Subsidiaries

Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

(in millions)

	2013		2012		2011	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Preferred Stock</b>	<b>0.8</b>	<b>\$ 41</b>	<b>0.8</b>	<b>\$ 41</b>	<b>0.8</b>	<b>\$ 41</b>
<b>Repurchased Preferred Stock</b>						
Balance, beginning of year	(0.6)	(164)	(0.6)	(157)	(0.6)	(150)
Redemptions	—	(7)	—	(7)	—	(7)
Balance, end of year	(0.6)	(171)	(0.6)	(164)	(0.6)	(157)
<b>Common Stock</b>						
Balance, beginning of year	1,544	26	1,565	26	1,582	26
Repurchased common stock	(15)	(1)	(21)	—	(17)	—
Balance, end of year	1,529	25	1,544	26	1,565	26
<b>Capital in Excess of Par Value</b>						
Balance, beginning of year		4,178		4,461		4,527
Stock-based compensation expense		303		278		326
Stock option exercises/RsUs and PEPUnits converted <sup>(a)</sup>		(287)		(431)		(361)
Withholding tax on RsUs converted		(87)		(70)		(56)
Other		(12)		(60)		25
Balance, end of year		4,095		4,178		4,461
<b>Retained Earnings</b>						
Balance, beginning of year		43,158		40,316		37,090
Net income attributable to PepsiCo		6,740		6,178		6,443
Cash dividends declared – common		(3,451)		(3,312)		(3,192)
Cash dividends declared – preferred		(1)		(1)		(1)
Cash dividends declared – RsUs		(26)		(23)		(24)
Balance, end of year		46,420		43,158		40,316
<b>Accumulated Other Comprehensive Loss</b>						
Balance, beginning of year		(5,487)		(6,229)		(3,630)
Currency translation adjustment		(1,301)		742		(1,529)
Cash flow hedges, net of tax:						
Reclassification of net losses to net income		28		58		9
Net derivative losses		(10)		(40)		(83)
Pension and retiree medical, net of tax:						
Reclassification of net losses to net income		230		421		133
Remeasurement of net liabilities and translation		1,400		(493)		(1,110)
Unrealized gains/(losses) on securities, net of tax		29		18		(8)
Other		(16)		36		(11)
Balance, end of year		(5,127)		(5,487)		(6,229)
<b>Repurchased Common Stock</b>						
Balance, beginning of year	(322)	(19,458)	(301)	(17,870)	(284)	(16,740)
Share repurchases	(37)	(3,000)	(47)	(3,219)	(39)	(2,489)
Stock option exercises	20	1,301	24	1,488	20	1,251
Other	2	153	2	143	2	108
Balance, end of year	(337)	(21,004)	(322)	(19,458)	(301)	(17,870)
<b>Total PepsiCo Common Shareholders' Equity</b>		<b>24,409</b>		<b>22,417</b>		<b>20,704</b>
<b>Noncontrolling Interests</b>						
Balance, beginning of year		105		311		312
Net income attributable to noncontrolling interests		47		36		19
Distributions to noncontrolling interests, net		(34)		(37)		(24)
Currency translation adjustment		(2)		(5)		65
Acquisitions and divestitures		(6)		(200)		(57)
Other, net		—		—		(4)
Balance, end of year		110		105		311
<b>Total Equity</b>		<b>\$ 24,389</b>		<b>\$ 22,399</b>		<b>\$ 20,899</b>

(a) Includes total tax benefits of \$45 million in 2013, \$84 million in 2012 and \$43 million in 2011.



## Notes to Consolidated Financial Statements

### Note 1 — Basis of Presentation and Our Divisions

#### *Basis of Presentation*

Our financial statements include the consolidated accounts of PepsiCo, Inc. and the affiliates that we control. In addition, we include our share of the results of certain other affiliates using the equity method based on our economic ownership interest, our ability to exercise significant influence over the operating or financial decisions of these affiliates or our ability to direct their economic resources. We do not control these other affiliates, as our ownership in these other affiliates is generally 50% or less. Intercompany balances and transactions are eliminated. Our fiscal year ends on the last Saturday of each December, resulting in an additional week of results every five or six years. In 2011, we had an additional week of results (53<sup>rd</sup> week).

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”, “Items Affecting Comparability” and “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In the first quarter of 2011, QFNA changed its method of accounting for certain U.S. inventories from the last-in, first-out (LIFO) method to the average cost method as we believe that the average cost method of accounting improves our financial reporting by better matching revenues and expenses and better reflecting the current value of inventory. The impact of this change on consolidated net income in the first quarter of 2011 was approximately \$9 million (or less than a penny per share).

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 preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Estimates are used in determining, among other items, sales incentives accruals, tax reserves, stock-based compensation, pension and retiree medical accruals, amounts and useful lives for intangible assets, and future cash flows associated with impairment testing for perpetual brands, goodwill and other long-lived assets. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effect cannot be determined with precision, actual results could differ significantly from these estimates.

While our United States and Canada (North America) results are reported on a weekly calendar basis, most of our international operations report on a monthly calendar basis. The following chart details our quarterly reporting schedule for all reporting periods presented except for 2011 as noted above:

Quarter	U.S. and Canada	International
First Quarter	12 weeks	January, February
Second Quarter	12 weeks	March, April and May
Third Quarter	12 weeks	June, July and August
Fourth Quarter	16 weeks	September, October, November and December



See “Our Divisions” below, and for additional unaudited information on items affecting the comparability of our consolidated results, see further unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted, and are based on unrounded amounts.

### ***Our Divisions***

Through our operations, authorized bottlers, contract manufacturers and third parties, we make, market, sell and distribute a wide variety of convenient and enjoyable foods and beverages, serving customers in more than 200 countries and territories with our largest operations in North America, Russia, Mexico, the United Kingdom and Brazil. Division results are based on how our Chief Executive Officer assesses the performance of and allocates resources to our divisions. For additional unaudited information on our divisions, see “Our Operations” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. The accounting policies for the divisions are the same as those described in Note 2, except for the following allocation methodologies:

- stock-based compensation expense;
- pension and retiree medical expense; and
- derivatives.

#### *Stock-Based Compensation Expense*

Our divisions are held accountable for stock-based compensation expense and, therefore, this expense is allocated to our divisions as an incremental employee compensation cost. The allocation of stock-based compensation expense in 2013 was approximately 16% to FLNA, 2% to QFNA, 5% to LAF, 24% to PAB, 13% to Europe, 12% to AMEA and 28% to corporate unallocated expenses. We had similar allocations of stock-based compensation expense to our divisions in 2012 and 2011. The expense allocated to our divisions excludes any impact of changes in our assumptions during the year which reflect market conditions over which division management has no control. Therefore, any variances between allocated expense and our actual expense are recognized in corporate unallocated expenses.

#### *Pension and Retiree Medical Expense*

Pension and retiree medical service costs measured at a fixed discount rate, as well as amortization of costs related to certain pension plan amendments and gains and losses due to demographics, including salary experience, are reflected in division results for North American employees. Division results also include interest costs, measured at a fixed discount rate, for retiree medical plans. Interest costs for the pension plans, pension asset returns and the impact of pension funding, and gains and losses other than those due to demographics, are all reflected in corporate unallocated expenses. In addition, corporate unallocated expenses include the difference between the service costs measured at a fixed discount rate (included in division results as noted above) and the total service costs determined using the plans’ discount rates as disclosed in Note 7 to our consolidated financial statements.

#### *Derivatives*

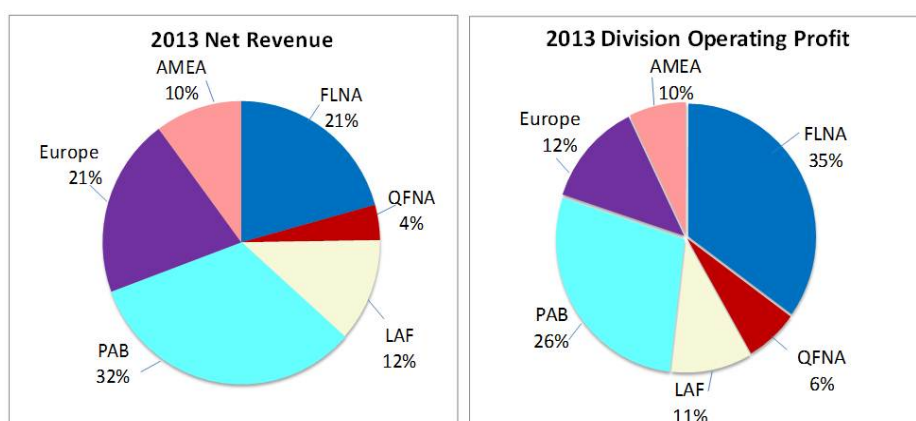
We centrally manage commodity derivatives on behalf of our divisions. These commodity derivatives include agricultural products, energy and metals. Certain of these commodity derivatives do not qualify for hedge accounting treatment and are marked to market with the resulting gains and losses recorded 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 net income. Therefore, the divisions realize the economic effects of the derivative without experiencing any resulting mark-to-market volatility, which

remains in corporate unallocated expenses. These derivatives hedge underlying commodity price risk and were not entered into for trading or speculative purposes.

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

	Net Revenue			Operating Profit <sup>(a)</sup>		
	2013	2012	2011	2013	2012	2011
FLNA	\$ 14,126	\$ 13,574	\$ 13,322	\$ 3,877	\$ 3,646	\$ 3,621
QFNA	2,612	2,636	2,656	617	695	797
LAF	8,350	7,780	7,156	1,242	1,059	1,078
PAB	21,068	21,408	22,418	2,955	2,937	3,273
Europe	13,752	13,441	13,560	1,293	1,330	1,210
AMEA	6,507	6,653	7,392	1,174	747	887
Total division	66,415	65,492	66,504	11,158	10,414	10,866
Corporate Unallocated						
Mark-to-market net (losses)/gains				(72)	65	(102)
Merger and integration charges				—	—	(78)
Restructuring and impairment charges				(11)	(10)	(74)
Venezuela currency devaluation				(124)	—	—
Pension lump sum settlement charge				—	(195)	—
53 <sup>rd</sup> week				—	—	(18)
Other				(1,246)	(1,162)	(961)
	\$ 66,415	\$ 65,492	\$ 66,504	\$ 9,705	\$ 9,112	\$ 9,633

(a) For information on the impact of restructuring, impairment and integration charges on our divisions, see Note 3 to our consolidated financial statements. See also Note 15 to our consolidated financial statements for more information on our transaction with Tingyi and refranchising of our beverage business in Vietnam in our AMEA segment.



## Corporate

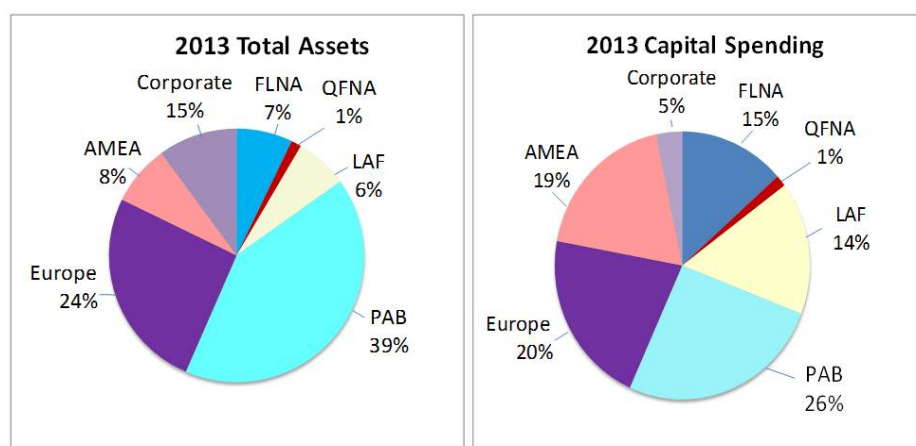
Corporate unallocated includes costs of our corporate headquarters, centrally managed initiatives such as research and development projects, unallocated insurance and benefit programs, foreign exchange transaction gains and losses, commodity derivative gains and losses, our ongoing business transformation initiative and certain other items.

## Other Division Information

Total assets and capital spending of each division are as follows:

	Total Assets			Capital Spending		
	2013	2012	2011	2013	2012	2011
FLNA	\$ 5,308	\$ 5,332	\$ 5,384	\$ 423	\$ 365	\$ 439
QFNA	983	966	1,024	38	37	43
LAF	4,829	4,993	4,721	384	436	413
PAB	30,350	30,899	31,142	716	702	1,006
Europe	18,702	19,218	18,461	550	575	588
AMEA	5,754	5,738	6,038	531	510	693
Total division	65,926	67,146	66,770	2,642	2,625	3,182
Corporate <sup>(a)</sup>	11,552	7,492	6,112	153	89	157
	\$ 77,478	\$ 74,638	\$ 72,882	\$ 2,795	\$ 2,714	\$ 3,339

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



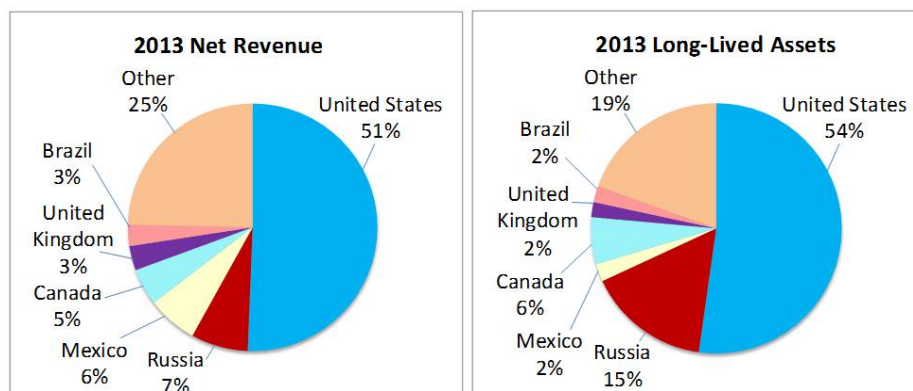
Amortization of intangible assets and depreciation and other amortization of each division are as follows:

	Amortization of Intangible Assets			Depreciation and Other Amortization		
	2013	2012	2011	2013	2012	2011
FLNA	\$ 7	\$ 7	\$ 7	\$ 430	\$ 445	\$ 458
QFNA	—	—	—	51	53	54
LAF	8	10	10	253	248	238
PAB	58	59	65	863	855	865
Europe	32	36	39	525	522	522
AMEA	5	7	12	283	305	350
Total division	110	119	133	2,405	2,428	2,487
Corporate	—	—	—	148	142	117
	\$ 110	\$ 119	\$ 133	\$ 2,553	\$ 2,570	\$ 2,604

Net revenue and long-lived assets by country are as follows:

	Net Revenue			Long-Lived Assets <sup>(a)</sup>		
	2013	2012	2011	2013	2012	2011
U.S.	\$ 33,626	\$ 33,348	\$ 33,053	\$ 28,504	\$ 28,344	\$ 28,999
Russia	4,908	4,861	4,749	7,890	8,603	8,121
Mexico	4,347	3,955	4,782	1,226	1,237	1,027
Canada	3,195	3,290	3,364	3,067	3,294	3,097
United Kingdom	2,115	2,102	2,075	1,078	1,053	1,011
Brazil	1,835	1,866	1,838	1,006	1,134	1,124
All other countries	16,389	16,070	16,643	10,297	10,600	11,041
	<u>\$ 66,415</u>	<u>\$ 65,492</u>	<u>\$ 66,504</u>	<u>\$ 53,068</u>	<u>\$ 54,265</u>	<u>\$ 54,420</u>

(a) Long-lived assets represent property, plant and equipment, nonamortizable intangible assets, amortizable intangible assets and investments in noncontrolled affiliates. These assets are reported in the country where they are primarily used.



## Note 2 — Our Significant Accounting Policies

### Revenue Recognition

We recognize revenue upon shipment or delivery to our customers based on written sales terms that do not allow for a right of return. However, our policy for DSD and certain chilled products is to remove and replace damaged and out-of-date products from store shelves to ensure that consumers receive the product quality and freshness they expect. Similarly, our policy for certain warehouse-distributed products is to replace damaged and out-of-date products. Based on our experience with this practice, we have reserved for anticipated damaged and out-of-date products. For additional unaudited information on our revenue recognition and related policies, including our policy on bad debts, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations. We are exposed to concentration of credit risk from our customers, including Wal-Mart. In 2013, Wal-Mart (including Sam’s) represented approximately 11% of our total net revenue, including concentrate sales to our independent bottlers which are used in finished goods sold by them to Wal-Mart. We have not experienced credit issues with these customers.

### Total Marketplace Spending

We offer sales incentives and discounts through various programs to customers and consumers. Total marketplace spending includes sales incentives, discounts, advertising and other marketing activities. Sales incentives and discounts are primarily accounted for as a reduction of revenue and totaled \$34.7 billion in 2013 and 2012, and \$34.6 billion in 2011. Sales incentives and discounts include payments to customers for performing merchandising activities on our behalf, such as payments for in-store displays, payments to gain

distribution of new products, payments for shelf space and discounts to promote lower retail prices. It also includes support provided to our independent bottlers through funding of advertising and other marketing activities. While most of these incentive arrangements have terms of no more than one year, certain arrangements, such as fountain pouring rights, may extend beyond one year. Costs incurred to obtain these arrangements are recognized over the shorter of the economic or contractual life, primarily as a reduction of revenue, and the remaining balances of \$410 million as of December 28, 2013 and \$335 million as of December 29, 2012, are included in prepaid expenses and other current assets and other assets on our balance sheet. For additional unaudited information on our sales incentives, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Advertising and other marketing activities, reported as selling, general and administrative expenses, totaled \$3.9 billion in 2013, \$3.7 billion in 2012 and \$3.5 billion in 2011, including advertising expenses of \$2.4 billion in 2013, \$2.2 billion in 2012 and \$1.9 billion in 2011. Deferred advertising costs are not expensed until the year first used and consist of:

- media and personal service prepayments;
- promotional materials in inventory; and
- production costs of future media advertising.

Deferred advertising costs of \$68 million and \$88 million as of December 28, 2013 and December 29, 2012, respectively, are classified as prepaid expenses on our balance sheet.

### ***Distribution Costs***

Distribution costs, including the costs of shipping and handling activities, are reported as selling, general and administrative expenses. Shipping and handling expenses were \$9.4 billion in 2013, \$9.1 billion in 2012 and \$9.2 billion in 2011.

### ***Cash Equivalents***

Cash equivalents are highly liquid investments with original maturities of three months or less.

### ***Software Costs***

We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project and (iii) interest costs incurred while developing internal-use computer software. Capitalized software costs are included in property, plant and equipment on our balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximate 5 to 10 years. Software amortization totaled \$197 million in 2013, \$196 million in 2012 and \$156 million in 2011. Net capitalized software and development costs were \$1.1 billion as of December 28, 2013 and December 29, 2012.

### ***Commitments and Contingencies***

We are subject to various claims and contingencies related to lawsuits, certain taxes and environmental matters, as well as commitments under contractual and other commercial obligations. We recognize liabilities for contingencies and commitments when a loss is probable and estimable. For additional information on our commitments, see Note 9 to our consolidated financial statements.

### **Research and Development**

We engage in a variety of research and development activities and continue to invest to accelerate growth in these activities and to drive innovation globally. These activities principally involve production, processing and packaging and include: development of new ingredients and products; reformulation of existing products; improvement in the quality of existing products; improvement and modernization of manufacturing processes; improvements in product quality, safety and integrity; improvements in packaging technology; improvements in dispensing equipment; development and implementation of new technologies to enhance the quality and value of current and proposed product lines; efforts focused on identifying opportunities to transform and grow our product portfolio, including the development of sweetener and flavor innovation and recipes that reduce sodium levels in certain of our products. Consumer research is excluded from research and development costs and included in other marketing costs. Research and development costs were \$665 million in 2013, \$552 million in 2012 and \$525 million in 2011 and are reported within selling, general and administrative expenses.

### **Other Significant Accounting Policies**

Our other significant accounting policies are disclosed as follows:

- *Property, Plant and Equipment and Intangible Assets* – Note 4, and for additional unaudited information on goodwill and other intangible assets see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.
- *Income Taxes* – Note 5, and for additional unaudited information see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.
- *Stock-Based Compensation* – Note 6.
- *Pension, Retiree Medical and Savings Plans* – Note 7, and for additional unaudited information see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.
- *Financial Instruments* – Note 10, and for additional unaudited information, see “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.
- *Inventories* – Note 14. Inventories are valued at the lower of cost or market. Cost is determined using the average; first-in, first-out (FIFO) or last-in, first-out (LIFO) methods.
- *Translation of Financial Statements of Foreign Subsidiaries* – Financial statements of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates for assets and liabilities and weighted-average exchange rates for revenues and expenses. Adjustments resulting from translating net assets are reported as a separate component of accumulated other comprehensive loss within common shareholders’ equity as currency translation adjustment.

### **Recent Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance that requires an entity to net its liability for unrecognized tax positions against a net operating loss carryforward, a similar tax loss or a tax credit carryforward when settlement in this manner is available under the tax law. The provisions of this new guidance are effective as of the beginning of our 2014 fiscal year. We do not expect the adoption of this new guidance to have a material impact on our financial statements.

In February 2013, the FASB issued guidance that requires an entity to disclose information showing the effect of the items reclassified from accumulated other comprehensive income on the line items of net income. The provisions of this new guidance were effective prospectively as of the beginning of our 2013 fiscal year. Accordingly, we included enhanced footnote disclosure for the year ended December 28, 2013 in Note 13.

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

In December 2011, the FASB issued new disclosure requirements that are intended to enhance current disclosures on offsetting financial assets and liabilities. The new disclosures require an entity to disclose both gross and net information about derivative instruments accounted for in accordance with the guidance on derivatives and hedging that are eligible for offset on the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. The provisions of the new disclosure requirements are effective as of the beginning of our 2014 fiscal year. We do not expect the adoption of this new guidance to have a material impact on our financial statements.

### Note 3 — Restructuring, Impairment and Integration Charges

#### 2014 Productivity Plan

The 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 2013, we incurred restructuring charges of \$53 million (\$39 million after-tax or \$0.02 per share) in conjunction with our 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. Substantially all of the restructuring accrual at December 28, 2013 is expected to be paid by the end of 2014.

A summary of our 2014 Productivity Plan charges in 2013 is as follows:

	Severance and Other Employee Costs	Other Costs	Total
FLNA	\$ 11	\$ —	\$ 11
QFNA	3	—	3
LAF	5	—	5
PAB	10	—	10
Europe	10	—	10
AMEA	1	—	1
Corporate	12	1	13
	<u>\$ 52</u>	<u>\$ 1</u>	<u>\$ 53</u>

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

	Severance and Other Employee Costs	Other Costs	Total
2013 restructuring charges	\$ 52	\$ 1	\$ 53
Non-cash charges	(22)	—	(22)
Liability as of December 28, 2013	<u>\$ 30</u>	<u>\$ 1</u>	<u>\$ 31</u>

### ***2012 Productivity Plan***

The 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 2013, we incurred restructuring charges of \$110 million (\$90 million after-tax or \$0.06 per share) in conjunction with our 2012 Productivity Plan. In 2012 and 2011, we incurred restructuring charges of \$279 million (\$215 million after-tax or \$0.14 per share) and \$383 million (\$286 million after-tax or \$0.18 per share) in conjunction with our 2012 Productivity Plan, respectively. All of these charges were recorded in selling, general and administrative expenses and primarily relate to severance and other employee related costs, asset impairments, and consulting and contract termination costs. Substantially all of the restructuring accrual at December 28, 2013 is expected to be paid by the end of 2014.



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

	2013				2012				2011		
	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total	Severance and Other Employee Costs	Other Costs	Total
FLNA	\$ 4	\$ —	\$ 4	\$ 8	\$ 14	\$ 8	\$ 16	\$ 38	\$ 74	\$ 2	\$ 76
QFNA	—	—	1	1	—	—	9	9	18	—	18
LAF	5	2	—	7	15	8	27	50	46	2	48
PAB	8	—	13	21	34	43	25	102	75	6	81
Europe	36	2	12	50	14	16	12	42	65	12	77
AMEA	21	2	2	25	18	—	10	28	9	—	9
Corporate (a)	—	—	(2)	(2)	(6)	—	16	10	40	34	74
	<u>\$ 74</u>	<u>\$ 6</u>	<u>\$ 30</u>	<u>\$110</u>	<u>\$ 89</u>	<u>\$ 75</u>	<u>\$ 115</u>	<u>\$279</u>	<u>\$ 327</u>	<u>\$ 56</u>	<u>\$383</u>

(a) Income amounts represent adjustments of previously recorded amounts.

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

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
2011 restructuring charges	\$ 327	\$ —	\$ 56	\$ 383
Cash payments	(1)	—	(29)	(30)
Non-cash charges	(77)	—	—	(77)
Liability as of December 31, 2011	249	—	27	276
2012 restructuring charges	89	75	115	279
Cash payments	(239)	—	(104)	(343)
Non-cash charges	(8)	(75)	(2)	(85)
Liability as of December 29, 2012	91	—	36	127
2013 restructuring charges	74	6	30	110
Cash payments	(89)	—	(44)	(133)
Non-cash charges	(8)	(6)	(5)	(19)
Liability as of December 28, 2013	<u>\$ 68</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 85</u>

### Merger and Integration Charges

In 2013, we incurred merger and integration charges of \$10 million (\$8 million after-tax or \$0.01 per share) related to our acquisition of WBD, all of which were recorded in selling, general and administrative expenses in the Europe segment. Substantially all of the merger and integration accrual at December 28, 2013 is expected to be paid by the end of 2014.

In 2012, we incurred merger and integration charges of \$16 million (\$12 million after-tax or \$0.01 per share) related to our acquisition of WBD, including \$11 million recorded in the Europe segment and \$5 million recorded in interest expense. All of these net charges, other than the interest expense portion, were recorded in selling, general and administrative expenses.

In 2011, we incurred merger and integration charges of \$329 million (\$271 million after-tax or \$0.17 per share) related to our acquisitions of PBG, PAS and WBD, including \$112 million recorded in the PAB segment, \$123 million recorded in the Europe segment, \$78 million recorded in corporate unallocated expenses and \$16 million recorded in interest expense. All of these net charges, other than the interest expense portion, were recorded in selling, general and administrative expenses. These charges also include closing costs and advisory fees related to our acquisition of WBD.

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

	Severance and Other Employee Costs	Asset Impairments	Other Costs	Total
Liability as of December 25, 2010	\$ 179	\$ —	\$ 25	\$ 204
2011 merger and integration charges	146	34	149	329
Cash payments	(191)	—	(186)	(377)
Non-cash charges	(36)	(34)	19	(51)
Liability as of December 31, 2011	98	—	7	105
2012 merger and integration charges <sup>(a)</sup>	(3)	1	18	16
Cash payments	(65)	—	(18)	(83)
Non-cash charges	(12)	(1)	(1)	(14)
Liability as of December 29, 2012	18	—	6	24
2013 merger and integration charges <sup>(a)</sup>	(2)	7	5	10
Cash payments	(14)	—	(11)	(25)
Non-cash charges	(2)	(7)	4	(5)
Liability as of December 28, 2013	\$ —	\$ —	\$ 4	\$ 4

(a) Income amounts represent adjustments of previously recorded amounts.

#### Note 4 — Property, Plant and Equipment and Intangible Assets

A summary of our property, plant and equipment is as follows:

	Average Useful Life (Years)	2013	2012	2011
<b>Property, plant and equipment, net</b>				
Land and improvements	10 – 34	\$ 1,883	\$ 1,890	
Buildings and improvements	15 – 44	7,832	7,792	
Machinery and equipment, including fleet and software	5 – 15	25,415	24,743	
Construction in progress		1,831	1,737	
		36,961	36,162	
Accumulated depreciation		(18,386)	(17,026)	
		\$ 18,575	\$ 19,136	
Depreciation expense		\$ 2,472	\$ 2,489	\$ 2,476

Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over an asset's estimated useful life. Land is not depreciated and construction in progress is not depreciated until ready for service.

A summary of our amortizable intangible assets, net is as follows:

		2013			2012			2011
<b>Amortizable intangible assets, net</b>	Average Useful Life (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	
Acquired franchise rights	56 – 60	\$ 910	\$ (83)	\$ 827	\$ 931	\$ (67)	\$ 864	
Reacquired franchise rights	1 – 14	108	(86)	22	110	(68)	42	
Brands	5 – 40	1,400	(996)	404	1,422	(980)	442	
Other identifiable intangibles	10 – 24	686	(301)	385	736	(303)	433	
		\$ 3,104	\$ (1,466)	\$ 1,638	\$ 3,199	\$ (1,418)	\$ 1,781	
Amortization expense				\$ 110			\$ 119	\$ 133

Amortization of intangible assets for each of the next five years, based on existing intangible assets as of December 28, 2013 and using average 2013 foreign exchange rates, is expected to be as follows:

	2014	2015	2016	2017	2018
Five-year projected amortization	\$ 94	\$ 85	\$ 76	\$ 71	\$ 70

Depreciable and amortizable assets are only evaluated for impairment upon a significant change in the operating or macroeconomic environment. In these circumstances, if an evaluation of the undiscounted cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on discounted future cash flows. Useful lives are periodically evaluated to determine whether events or circumstances have occurred which indicate the need for revision. For additional unaudited information on our policies for amortizable brands, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### Nonamortizable Intangible Assets

Perpetual brands and goodwill are assessed for impairment at least annually. If the carrying amount of a perpetual brand exceeds its fair value, as determined by its discounted cash flows, an impairment loss is recognized in an amount equal to that excess. We did not recognize any impairment charges for goodwill in the years presented. We recorded impairment charges on certain brands in Europe of \$23 million and \$14 million in 2012 and 2011, respectively. For additional unaudited information on our policies for nonamortizable intangible assets, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

	Balance, Beginning 2012	Acquisitions/(Divestitures)	Translation and Other	Balance, End of 2012	Acquisitions/ (Divestitures)	Translation and Other	Balance, End of 2013
<b>FLNA</b>							
Goodwill	\$ 311	\$ —	\$ 5	\$ 316	\$ —	\$ (11)	\$ 305
Brands	30	—	1	31	—	(2)	29
	341	—	6	347	—	(13)	334
<b>QFNA</b>							
Goodwill	175	—	—	175	—	—	175
<b>LAF</b>							
Goodwill	793	(61)	(16)	716	—	(56)	660
Brands	157	75	(9)	223	—	(17)	206
	950	14	(25)	939	—	(73)	866
<b>PAB</b>							
Goodwill	9,932	23	33	9,988	5	(50)	9,943
Reacquired franchise rights	7,342	(33)	28	7,337	16	(72)	7,281
Acquired franchise rights	1,562	9	2	1,573	(8)	(14)	1,551
Brands	168	—	(15)	153	—	(7)	146
	19,004	(1)	48	19,051	13	(143)	18,921
<b>Europe</b>							
Goodwill	4,900	78	236	5,214	—	(187)	5,027
Reacquired franchise rights	732	—	40	772	—	(12)	760
Acquired franchise rights	218	—	5	223	—	7	230
Brands	4,178	(96)	202	4,284	—	(213)	4,071
	10,028	(18)	483	10,493	—	(405)	10,088
<b>AMEA</b>							
Goodwill	689	(142)	15	562	(4)	(55)	503
Brands	170	(24)	2	148	—	(21)	127
	859	(166)	17	710	(4)	(76)	630
Total goodwill	16,800	(102)	273	16,971	1	(359)	16,613
Total reacquired franchise rights	8,074	(33)	68	8,109	16	(84)	8,041
Total acquired franchise rights	1,780	9	7	1,796	(8)	(7)	1,781
Total brands	4,703	(45)	181	4,839	—	(260)	4,579
	\$ 31,357	\$ (171)	\$ 529	\$ 31,715	\$ 9	\$ (710)	\$ 31,014

## Note 5 — Income Taxes

The components of income before income taxes are as follows:

	2013	2012	2011
U.S.	\$ 3,078	\$ 3,234	\$ 3,964
Foreign	5,813	5,070	4,870
	<u>\$ 8,891</u>	<u>\$ 8,304</u>	<u>\$ 8,834</u>

The provision for income taxes consisted of the following:

	2013	2012	2011
Current:			
U.S. Federal	\$ 1,092	\$ 911	\$ 611
Foreign	807	940	882
State	124	153	124
	<u>2,023</u>	<u>2,004</u>	<u>1,617</u>
Deferred:			
U.S. Federal	87	154	789
Foreign	11	(95)	(88)
State	(17)	27	54
	<u>81</u>	<u>86</u>	<u>755</u>
	<u>\$ 2,104</u>	<u>\$ 2,090</u>	<u>\$ 2,372</u>

A reconciliation of the U.S. Federal statutory tax rate to our annual tax rate is as follows:

	2013	2012	2011
U.S. Federal statutory tax rate	35.0 %	35.0 %	35.0 %
State income tax, net of U.S. Federal tax benefit	1.2	1.4	1.3
Lower taxes on foreign results	(8.8)	(6.9)	(8.7)
Tax benefits	(2.4)	(2.6)	—
Other, net	(1.3)	(1.7)	(0.8)
Annual tax rate	<u>23.7 %</u>	<u>25.2 %</u>	<u>26.8 %</u>

Deferred tax liabilities and assets are comprised of the following:

	2013	2012
<b><i>Deferred tax liabilities</i></b>		
Pension benefits	\$ 84	\$ —
Debt guarantee of wholly owned subsidiary	828	828
Property, plant and equipment	2,327	2,424
Intangible assets other than nondeductible goodwill	4,348	4,388
Other	361	308
Gross deferred tax liabilities	7,948	7,948
<b><i>Deferred tax assets</i></b>		
Net carryforwards	1,485	1,378
Stock-based compensation	303	378
Retiree medical benefits	384	411
Other employee-related benefits	627	672
Pension benefits	—	647
Deductible state tax and interest benefits	155	345
Long-term debt obligations acquired	125	164
Other	959	863
Gross deferred tax assets	4,038	4,858
Valuation allowances	(1,360)	(1,233)
Deferred tax assets, net	2,678	3,625
Net deferred tax liabilities	\$ 5,270	\$ 4,323

Deferred taxes are included within the following balance sheet accounts:

	2013	2012
<b>Assets:</b>		
Prepaid expenses and other current assets	\$ 716	\$ 740
<b>Liabilities:</b>		
Deferred income taxes	\$ 5,986	\$ 5,063

A summary of our valuation allowance activity is as follows:

	2013	2012	2011
Balance, beginning of year	\$ 1,233	\$ 1,264	\$ 875
Provision	111	68	464
Other additions/(deductions)	16	(99)	(75)
Balance, end of year	\$ 1,360	\$ 1,233	\$ 1,264

In the second quarter of 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA changes the tax treatment related to an existing retiree drug subsidy (RDS) available to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to the benefits under Medicare Part D. As a result of the PPACA, RDS payments became taxable in tax years beginning in 2013, by requiring the amount of the subsidy received to be offset against our deduction for health care expenses. The provisions of the PPACA required us to record the effect of this tax law change beginning in our second quarter of 2010, and consequently we recorded a one-time related tax charge of \$41 million in the second quarter of 2010. In the first quarter of 2012, we began pre-paying funds within our 401(h) accounts intended to fully cover prescription drug benefit liabilities for Medicare eligible retirees. As a result, the receipt of

future Medicare subsidy payments for prescription drugs will not be taxable and consequently we recorded a \$55 million tax benefit reflecting this change in the first quarter of 2012.

For additional unaudited information on our income tax policies, including our reserves for income taxes, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### **Reserves**

A number of years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. Our major taxing jurisdictions and the related open tax audits are as follows:

<b><i>Jurisdiction</i></b>	<b>Years Open to Audit</b>	<b>Years Currently Under Audit</b>
United States	2010-2012	2010-2011
Mexico	2008-2012	None
United Kingdom	2012	None
Canada (Domestic)	2009-2012	2009-2010
Canada (International)	2008-2012	2008-2010
Russia	2009-2012	2009-2012

While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe that our reserves reflect the probable outcome of known tax contingencies. We adjust these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular issue would usually require the use of cash. Favorable resolution would be recognized as a reduction to our annual tax rate in the year of resolution. For further unaudited information on the impact of the resolution of open tax issues, see “Other Consolidated Results” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In the fourth quarter of 2013, we reached an agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009. As a result, we made U.S. Federal net cash tax payments of \$758 million, including interest. The settlement reduced our 2013 net cash provided by operating activities and our reserves for uncertain tax positions for the tax years 2003 through 2012 and resulted in a non-cash tax benefit of \$209 million in the fourth quarter of 2013. In addition, payments for other U.S. Federal, state and local tax matters related to open tax years totaling \$226 million were made in 2013. In 2012, we received a favorable tax court decision related to the classification of financial instruments resulting in a non-cash tax benefit of \$217 million in the fourth quarter of 2012. See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

As of December 28, 2013, the total gross amount of reserves for income taxes, reported in income taxes payable and other liabilities, was \$1,268 million. We accrue interest related to reserves for income taxes in our provision for income taxes and any associated penalties are recorded in selling, general and administrative expenses. The gross amount of interest accrued, reported in other liabilities, was \$164 million as of December 28, 2013, of which \$36 million of expense was recognized in 2013. The gross amount of interest accrued, reported in other liabilities, was \$670 million as of December 29, 2012, of which \$10 million of benefit was recognized in 2012.

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

	2013	2012
Balance, beginning of year	\$ 2,425	\$ 2,167
Additions for tax positions related to the current year	238	275
Additions for tax positions from prior years	273	161
Reductions for tax positions from prior years	(327)	(172)
Settlement payments	(1,306)	(17)
Statutes of limitations expiration	(30)	(3)
Translation and other	(5)	14
Balance, end of year	<u>\$ 1,268</u>	<u>\$ 2,425</u>

### ***Carryforwards and Allowances***

Operating loss carryforwards totaling \$11.1 billion at year-end 2013 are being carried forward in a number of foreign and state jurisdictions where we are permitted to use tax operating losses from prior periods to reduce future taxable income. These operating losses will expire as follows: \$0.1 billion in 2014, \$10.4 billion between 2015 and 2033 and \$0.6 billion may be carried forward indefinitely. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

### ***Undistributed International Earnings***

As of December 28, 2013, we had approximately \$34.1 billion of undistributed international earnings. We intend to continue to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings. It is not practicable for us to determine the amount of unrecognized U.S. tax expense on these reinvested international earnings.

### **Note 6 — Stock-Based Compensation**

Our stock-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. Stock options, restricted stock units (RSUs) and PepsiCo equity performance units (PEPUnits) are granted to employees under the shareholder-approved 2007 Long-Term Incentive Plan (LTIP). Starting in 2012, certain executive officers were granted PEPUnits. These PEPUnits are earned based on achievement of a cumulative net income performance target and provide an opportunity to earn shares of PepsiCo common stock with a value that adjusts based upon absolute changes in PepsiCo's stock price as well as PepsiCo's Total Shareholder Return relative to the S&P 500 over a three-year performance period.

The Company may use authorized and unissued shares to meet share requirements resulting from the exercise of stock options and the vesting of restricted stock awards.

As of December 28, 2013, 110 million shares were available for future stock-based compensation grants.



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

	2013	2012	2011
Stock-based compensation expense	\$ 303	\$ 278	\$ 326
Merger and integration charges	—	2	13
Restructuring and impairment (benefits)/charges	—	(7)	4
Total	\$ 303	\$ 273	\$ 343
Income tax benefits recognized in earnings related to stock-based compensation	\$ 76	\$ 73	\$ 101

### *Method of Accounting and Our Assumptions*

We account for our employee stock options under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. In addition, we use the Monte-Carlo simulation option-pricing model to determine the fair value of market-based awards. The Monte-Carlo simulation option-pricing model uses the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination the possibility that the market condition may not be satisfied. Compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided.

All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant and generally have a 10-year term. We do not backdate, reprice or grant stock-based compensation awards retroactively. Repricing of awards would require shareholder approval under the LTIP.

The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Awards to employees eligible for retirement prior to the award becoming fully vested are amortized to expense over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. Executives who are awarded long-term incentives based on their performance may generally elect to receive their grant in the form of stock options or RSUs, or a combination thereof. Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Certain senior executives do not have a choice and are granted 50% stock options and 50% performance-based RSUs. Beginning in 2012, certain executive officers and other senior executives are granted a combination of 60% PEPUnits measuring absolute and relative stock performance and 40% long-term cash based on achievement of specific operating metrics.

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

	2013	2012	2011
Expected life	6 years	6 years	6 years
Risk-free interest rate	1.1%	1.3%	2.5%
Expected volatility	17%	17%	16%
Expected dividend yield	2.7%	3.0%	2.9%

The expected life is the period over which our employee groups are expected to hold their options. It is based on our historical experience with similar grants. The risk-free interest rate is based on the expected U.S. Treasury rate over the expected life. Volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Dividend yield is estimated over the expected life based on our stated dividend policy and forecasts of net income, share repurchases and stock price.

A summary of our stock-based compensation activity for the year ended December 28, 2013 is as follows:

### Our Stock Option Activity

	Options <sup>(a)</sup>	Average Price <sup>(b)</sup>	Average Life (years) <sup>(c)</sup>	Aggregate Intrinsic Value <sup>(d)</sup>
Outstanding at December 29, 2012	68,145	\$ 59.15		
Granted	2,868	\$ 76.39		
Exercised	(20,275)	\$ 55.31		
Forfeited/expired	(1,276)	\$ 64.65		
Outstanding at December 28, 2013	49,462	\$ 61.58	4.86	\$ 1,045,116
Exercisable at December 28, 2013	37,858	\$ 59.64	4.55	\$ 873,257
Expected to vest as of December 28, 2013	11,159	\$ 67.52	7.85	\$ 169,498

(a) Options are in thousands and include options previously granted under PBG and PAS plans. No additional options or shares were granted under the PBG and PAS plans after 2009.

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

(d) In thousands.

### Our RSU Activity

	RSUs <sup>(a)</sup>	Average Intrinsic Value <sup>(b)</sup>	Average Life (years) <sup>(c)</sup>	Aggregate Intrinsic Value <sup>(d)</sup>
Outstanding at December 29, 2012	11,982	\$ 65.60		
Granted	4,231	\$ 76.30		
Converted	(3,457)	\$ 66.38		
Forfeited	(817)	\$ 67.46		
Outstanding at December 28, 2013	11,939	\$ 69.04	1.37	\$ 987,473
Expected to vest as of December 28, 2013	11,346	\$ 68.45	1.21	\$ 938,435

(a) RSUs are in thousands and include RSUs previously granted under the PBG plan. No additional RSUs or shares were granted under the PBG plan after 2009.

(b) Weighted-average intrinsic value at grant date.

(c) Weighted-average contractual life remaining.

(d) In thousands.

### Our PEP Unit Activity

	PEPUnits <sup>(a)</sup>	Average Intrinsic Value <sup>(b)</sup>	Average Life (years) <sup>(c)</sup>	Aggregate Intrinsic Value <sup>(d)</sup>
Outstanding at December 29, 2012	368	\$ 64.89		
Granted	355	\$ 68.48		
Converted	(48)	\$ 66.78		
Forfeited	—	\$ —		
Outstanding at December 28, 2013	675	\$ 66.65	1.70	\$ 55,809
Expected to vest as of December 28, 2013	608	\$ 66.55	1.69	\$ 50,284

(a) PEPUnits are in thousands.

(b) Weighted-average intrinsic value at grant date.

(c) Weighted-average contractual life remaining.

(d) In thousands.

## Other Stock-Based Compensation Data

	2013	2012	2011
<b>Stock Options</b>			
Total number of options granted <sup>(a)</sup>	2,868	3,696	7,150
Weighted-average fair value of options granted	\$ 8.14	\$ 6.86	\$ 7.79
Total intrinsic value of options exercised <sup>(a)</sup>	\$ 471,475	\$ 512,636	\$ 385,678
<b>RSUs</b>			
Total number of RSUs granted <sup>(a)</sup>	4,231	4,404	5,333
Weighted-average intrinsic value of RSUs granted	\$ 76.30	\$ 66.64	\$ 63.87
Total intrinsic value of RSUs converted <sup>(a)</sup>	\$ 294,065	\$ 236,575	\$ 173,433
<b>PEPUnits</b>			
Total number of PEPUnits granted <sup>(a)</sup>	355	410	
Weighted-average intrinsic value of PEPUnits granted	\$ 68.48	\$ 64.85	
Total intrinsic value of PEPUnits converted <sup>(a)</sup>	\$ 3,868	—	

(a) In thousands.

As of December 28, 2013, there were approximately 290,000 outstanding awards, consisting primarily of phantom stock units that were granted under the PepsiCo Director Deferral Program and will be settled in shares of PepsiCo Common Stock pursuant to the LTIP at the end of the applicable deferral period, not included in the tables above.

As of December 28, 2013, there was \$373 million of total unrecognized compensation cost related to nonvested share-based compensation grants. This unrecognized compensation is expected to be recognized over a weighted-average period of two years.

### Note 7 — Pension, Retiree Medical and Savings Plans

Our pension plans cover certain full-time employees in the U.S. and certain international employees. Benefits are determined based on either years of service or a combination of years of service and earnings. Certain U.S. and Canada retirees are also eligible for medical and life insurance benefits (retiree medical) if they meet age and service requirements. Generally, our share of retiree medical costs is capped at specified dollar amounts, which vary based upon years of service, with retirees contributing the remainder of the costs.

Gains and losses resulting from actual experience differing from our assumptions, including the difference between the actual return on plan assets and the expected return on plan assets, and from changes in our assumptions are determined at each measurement date. If this net accumulated gain or loss exceeds 10% of the greater of the market-related value of plan assets or plan liabilities, a portion of the net gain or loss is included in expense for the following year based upon the average remaining service period of active plan participants, which is approximately 11 years for pension expense and approximately 9 years for retiree medical expense. The cost or benefit of plan changes that increase or decrease benefits for prior employee service (prior service cost/(credit)) is included in earnings on a straight-line basis over the average remaining service period of active plan participants.

In the fourth quarter of 2012, the Company offered certain former employees who had vested benefits in our defined benefit pension plans the option of receiving a one-time lump sum payment equal to the present value of the participant's pension benefit (payable in cash or rolled over into a qualified retirement plan or IRA). In December 2012, we made a discretionary contribution of \$405 million to fund substantially all of these payments. The Company recorded a pre-tax non-cash settlement charge of \$195 million (\$131 million

after-tax or \$0.08 per share) as a result of this transaction. See additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The provisions of both the PPACA and the Health Care and Education Reconciliation Act are reflected in our retiree medical expenses and liabilities and were not material to our financial statements.

Selected financial information for our pension and retiree medical plans are as follows:

	Pension				Retiree Medical	
	U.S.		International		2013	2012
	2013	2012	2013	2012		
<i>Change in projected benefit liability</i>						
Liability at beginning of year	\$ 12,886	\$ 11,901	\$ 2,788	\$ 2,381	\$ 1,511	\$ 1,563
Service cost	467	407	111	100	45	50
Interest cost	527	534	118	115	54	65
Plan amendments	22	15	(1)	—	—	—
Participant contributions	—	—	3	3	—	—
Experience (gain)/loss	(1,522)	932	(65)	200	(128)	(63)
Benefit payments	(533)	(278)	(91)	(76)	(97)	(111)
Settlement/curtailment	(44)	(633)	(3)	(40)	—	—
Special termination benefits	22	8	—	1	2	5
Foreign currency adjustment	—	—	(2)	102	(3)	2
Other	—	—	1	2	—	—
Liability at end of year	\$ 11,825	\$ 12,886	\$ 2,859	\$ 2,788	\$ 1,384	\$ 1,511
<i>Change in fair value of plan assets</i>						
Fair value at beginning of year	\$ 10,817	\$ 9,072	\$ 2,463	\$ 2,031	\$ 365	\$ 190
Actual return on plan assets	1,159	1,282	265	206	76	35
Employer contributions/funding	63	1,368	137	246	62	251
Participant contributions	—	—	3	3	—	—
Benefit payments	(533)	(278)	(91)	(76)	(97)	(111)
Settlement	(44)	(627)	(8)	(33)	—	—
Foreign currency adjustment	—	—	8	86	—	—
Fair value at end of year	\$ 11,462	\$ 10,817	\$ 2,777	\$ 2,463	\$ 406	\$ 365
Funded status	\$ (363)	\$ (2,069)	\$ (82)	\$ (325)	\$ (978)	\$ (1,146)

	Pension				Retiree Medical	
	U.S.		International			
	2013	2012	2013	2012	2013	2012
<b>Amounts recognized</b>						
Other assets	\$ 603	\$ —	\$ 74	\$ 51	\$ —	\$ —
Other current liabilities	(41)	(51)	(1)	(2)	(72)	(71)
Other liabilities	(925)	(2,018)	(155)	(374)	(906)	(1,075)
Net amount recognized	<u>\$ (363)</u>	<u>\$ (2,069)</u>	<u>\$ (82)</u>	<u>\$ (325)</u>	<u>\$ (978)</u>	<u>\$ (1,146)</u>
<b>Amounts included in accumulated other comprehensive loss (pre-tax)</b>						
Net loss/(gain)	\$ 2,069	\$ 4,212	\$ 849	\$ 1,096	\$ (222)	\$ (44)
Prior service cost/(credit)	125	121	(6)	(3)	(69)	(92)
Total	<u>\$ 2,194</u>	<u>\$ 4,333</u>	<u>\$ 843</u>	<u>\$ 1,093</u>	<u>\$ (291)</u>	<u>\$ (136)</u>
<b>Components of the (decrease)/increase in net loss/(gain) included in accumulated other comprehensive loss</b>						
Change in discount rate	\$ (1,532)	\$ 776	\$ (166)	\$ 188	\$ (117)	\$ 84
Employee-related assumption changes	24	135	91	(2)	2	(67)
Liability-related experience different from assumptions	(14)	66	10	14	(13)	(80)
Actual asset return different from expected return	(336)	(486)	(108)	(60)	(49)	(13)
Amortization and settlement of losses	(285)	(451)	(68)	(64)	(1)	—
Other, including foreign currency adjustments	—	(45)	(6)	43	—	—
Total	<u>\$ (2,143)</u>	<u>\$ (5)</u>	<u>\$ (247)</u>	<u>\$ 119</u>	<u>\$ (178)</u>	<u>\$ (76)</u>
Liability at end of year for service to date	\$ 10,803	\$ 11,643	\$ 2,369	\$ 2,323		

The components of benefit expense are as follows:

	Pension						Retiree Medical		
	U.S.			International					
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Components of benefit expense</b>									
Service cost	\$ 467	\$ 407	\$ 350	\$ 111	\$ 100	\$ 95	\$ 45	\$ 50	\$ 51
Interest cost	527	534	547	118	115	117	54	65	88
Expected return on plan assets	(823)	(796)	(704)	(157)	(146)	(136)	(27)	(22)	(14)
Amortization of prior service cost/(credit)	18	17	14	1	1	2	(23)	(26)	(28)
Amortization of net loss	289	259	145	66	53	40	1	—	12
	<u>478</u>	<u>421</u>	<u>352</u>	<u>139</u>	<u>123</u>	<u>118</u>	<u>50</u>	<u>67</u>	<u>109</u>
Settlement/curtailment (gain)/loss <sup>(a)</sup>	(4)	185	(8)	7	4	30	—	—	—
Special termination benefits	22	8	71	—	1	1	2	5	1
Total	<u>\$ 496</u>	<u>\$ 614</u>	<u>\$ 415</u>	<u>\$ 146</u>	<u>\$ 128</u>	<u>\$ 149</u>	<u>\$ 52</u>	<u>\$ 72</u>	<u>\$ 110</u>

(a) U.S. includes pension lump sum settlement charge of \$195 million in 2012. This charge is reflected in items affecting comparability (see additional unaudited information in “Items Affecting Comparability” in Management’s Discussion and Analysis of Financial Condition and Results of Operations).

The estimated amounts to be amortized from accumulated other comprehensive loss into expense in 2014 for our pension and retiree medical plans are as follows:

	Pension		Retiree Medical
	U.S.	International	
Net loss/(gain)	\$ 175	\$ 53	\$ (6)
Prior service cost/(credit)	21	—	(22)
Total	<u>\$ 196</u>	<u>\$ 53</u>	<u>\$ (28)</u>

The following table provides the weighted-average assumptions used to determine projected benefit liability and benefit expense for our pension and retiree medical plans:

	Pension						Retiree Medical		
	U.S.			International					
	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Weighted-average assumptions</b>									
Liability discount rate	5.0%	4.2%	4.6%	4.7%	4.4%	4.8%	4.6%	3.7%	4.4%
Expense discount rate	4.2%	4.6%	5.7%	4.4%	4.8%	5.5%	3.7%	4.4%	5.2%
Expected return on plan assets	7.8%	7.8%	7.8%	6.6%	6.7%	6.7%	7.8%	7.8%	7.8%
Liability rate of salary increases	3.7%	3.7%	3.7%	3.9%	3.9%	4.1%			
Expense rate of salary increases	3.7%	3.7%	4.1%	3.9%	4.1%	4.1%			

The following table provides selected information about plans with liability for service to date and total benefit liability in excess of plan assets:

	Pension				Retiree Medical	
	U.S.		International			
	2013	2012	2013	2012	2013	2012
<b>Selected information for plans with liability for service to date in excess of plan assets</b>						
Liability for service to date	\$ (577)	\$ (11,643)	\$ (310)	\$ (711)		
Fair value of plan assets	\$ 2	\$ 10,817	\$ 259	\$ 552		
<b>Selected information for plans with projected benefit liability in excess of plan assets</b>						
Benefit liability	\$ (6,555)	\$ (12,886)	\$ (2,291)	\$ (2,542)	\$ (1,384)	\$ (1,511)
Fair value of plan assets	\$ 5,589	\$ 10,817	\$ 2,135	\$ 2,166	\$ 406	\$ 365

Of the total projected pension benefit liability at year-end 2013, \$700 million relates to plans that we do not fund because the funding of such plans does not receive favorable tax treatment.

## Future Benefit Payments and Funding

Our estimated future benefit payments are as follows:

	2014	2015	2016	2017	2018	2019-23
Pension	\$ 565	\$ 595	\$ 640	\$ 695	\$ 750	\$ 4,655
Retiree medical <sup>(a)</sup>	\$ 130	\$ 130	\$ 130	\$ 135	\$ 135	\$ 655

(a) Expected future benefit payments for our retiree medical plans do not reflect any estimated subsidies expected to be received under the 2003 Medicare Act. Subsidies are expected to be approximately \$15 million for each of the years from 2014 through 2018 and approximately \$85 million in total for 2019 through 2023.

These future benefits to beneficiaries include payments from both funded and unfunded plans.

In 2014, we expect to make pension and retiree medical contributions of approximately \$260 million, with approximately \$70 million for retiree medical benefits.

## Plan Assets

### Pension

Our pension plan investment strategy includes the use of actively managed securities and is reviewed periodically in conjunction with plan liabilities, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. Our investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. Our overall investment strategy is to prudently invest plan assets in a well-diversified portfolio of equity and high-quality debt securities and real estate to achieve our long-term return expectations. Our investment policy also permits the use of derivative instruments which are primarily used to reduce risk. Our expected long-term rate of return on U.S. plan assets is 7.5% for 2014 and 7.8% for 2013. Our target investment allocations are as follows:

	2014	2013
Fixed income	40%	40%
U.S. equity	33%	33%
International equity	22%	22%
Real estate	5%	5%

Actual investment allocations may vary from our target investment allocations due to prevailing market conditions. We regularly review our actual investment allocations and periodically rebalance our investments to our target allocations.

The expected return on pension plan assets is based on our pension plan investment strategy and our expectations for long-term rates of return by asset class, taking into account volatility and correlation among asset classes and our historical experience. We also review current levels of interest rates and inflation to assess the reasonableness of the long-term rates. We evaluate our expected return assumptions annually to ensure that they are reasonable. To calculate the expected return on pension plan assets, our market-related value of assets for fixed income is the actual fair value. For all other asset categories, we use a method that recognizes investment gains or losses (the difference between the expected and actual return based on the market-related value of assets) over a five-year period. This has the effect of reducing year-to-year volatility.

Our pension contributions were \$200 million, \$1,614 million and \$239 million for 2013, 2012 and 2011, respectively, of which \$23 million, \$1,375 million and \$61 million, respectively, was discretionary. Discretionary contributions for 2012 included \$405 million pertaining to pension lump sum payments.

### Retiree Medical

In 2013, 2012 and 2011, we made non-discretionary contributions of \$62 million, \$111 million and \$110 million, respectively, to fund the payment of retiree medical claims. In 2012, we made a discretionary contribution of \$140 million to fund future U.S. retiree medical plan benefits. This contribution was invested consistent with the allocation of existing assets in the U.S. pension plan.

### Fair Value

The guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.
- Level 3: Unobservable inputs reflecting assumptions about the inputs used in pricing the asset.



Plan assets measured at fair value as of fiscal year-end 2013 and 2012 are categorized consistently by level in both years, and are as follows:

	2013				2012
	Total	Level 1	Level 2	Level 3	Total
<b>U.S. plan assets*</b>					
Equity securities:					
U.S. common stock <sup>(a)</sup>	\$ 732	\$ 732	\$ —	\$ —	\$ 626
U.S. commingled funds <sup>(b) (c)</sup>	3,334	—	3,334	—	3,106
International common stock <sup>(a)</sup>	1,669	1,669	—	—	1,597
International commingled fund <sup>(d)</sup>	902	—	902	—	948
Preferred stock <sup>(e)</sup>	18	—	18	—	20
Fixed income securities:					
Government securities <sup>(e)</sup>	1,264	—	1,264	—	1,287
Corporate bonds <sup>(e) (f)</sup>	2,958	—	2,958	—	2,962
Mortgage-backed securities <sup>(e)</sup>	220	—	220	—	110
Other:					
Contracts with insurance companies <sup>(g)</sup>	6	—	—	6	27
Real estate commingled funds <sup>(h)</sup>	552	—	—	552	331
Cash and cash equivalents	154	154	—	—	117
Sub-total U.S. plan assets	11,809	\$ 2,555	\$ 8,696	\$ 558	11,131
Dividends and interest receivable	59				51
Total U.S. plan assets	<u>\$ 11,868</u>				<u>\$ 11,182</u>
<b>International plan assets</b>					
Equity securities:					
U.S. common stock <sup>(a)</sup>	\$ 4	\$ 4	\$ —	\$ —	\$ —
U.S. commingled funds <sup>(b)</sup>	334	—	334	—	278
International common stock <sup>(a)</sup>	176	176	—	—	—
International commingled funds <sup>(d)</sup>	914	—	914	—	863
Preferred stock <sup>(e)</sup>	1	—	1	—	—
Fixed income securities:					
Government securities <sup>(e)</sup>	207	—	207	—	202
Corporate bonds <sup>(e)</sup>	261	—	261	—	230
Fixed income commingled funds <sup>(i)</sup>	650	—	650	—	600
Other:					
Contracts with insurance companies <sup>(g)</sup>	34	—	—	34	35
Currency commingled fund <sup>(j)</sup>	91	—	91	—	64
Real estate commingled fund <sup>(h)</sup>	83	—	—	83	60
Cash and cash equivalents	15	15	—	—	125
Sub-total international plan assets	2,770	\$ 195	\$ 2,458	\$ 117	2,457
Dividends and interest receivable	7				6
Total international plan assets	<u>\$ 2,777</u>				<u>\$ 2,463</u>

(a) Based on quoted market prices in active markets.

(b) Based on the fair value of the investments owned by these funds that track various U.S. large, mid-cap and small company indices.

(c) Includes one large-cap fund that represents 25% of total U.S. plan assets for both 2013 and 2012.

(d) Based on the fair value of the investments owned by these funds that track various non-U.S. equity indices.

(e) Based on quoted bid prices for comparable securities in the marketplace and broker/dealer quotes in active markets.

(f) Corporate bonds of U.S.-based companies represent 21% and 22%, respectively, of total U.S. plan assets for 2013 and 2012.

(g) Based on the fair value of the contracts as determined by the insurance companies using inputs that are not observable.

(h) Based on the appraised value of the investments owned by these funds as determined by independent third parties using inputs that are not observable.

(i) Based on the fair value of the investments owned by these funds that track various government and corporate bond indices.

(j) Based on the fair value of the investments owned by this fund that invests primarily in derivatives to hedge currency exposure.

\* 2013 and 2012 amounts include \$406 million and \$365 million, respectively, of retiree medical plan assets that are restricted for purposes of providing health benefits for U.S. retirees and their beneficiaries.

The changes in Level 3 plan assets are as follows:

	Balance, Beginning 2012	Return on Assets Held at Year End	Purchases and Sales, Net	Balance, End of 2012	Return on Assets Held at Year End	Purchases and Sales, Net	Balance, End of 2013
Real estate commingled funds	\$ 56	\$ 16	\$ 319	\$ 391	\$ 56	\$ 188	\$ 635
Contracts with insurance companies	54	9	(1)	62	(1)	(21)	40
Total	<u>\$ 110</u>	<u>\$ 25</u>	<u>\$ 318</u>	<u>\$ 453</u>	<u>\$ 55</u>	<u>\$ 167</u>	<u>\$ 675</u>

### Retiree Medical Cost Trend Rates

An average increase of 6% in the cost of covered retiree medical benefits is assumed for 2014. This average increase is then projected to decline gradually to 5% in 2020 and thereafter. These assumed health care cost trend rates have an impact on the retiree medical plan expense and liability, however the cap on our share of retiree medical costs limits the impact. In addition, as of January 1, 2011, the Company started phasing out Company subsidies of retiree medical benefits. A 1-percentage-point change in the assumed health care trend rate would have the following effects:

	1% Increase	1% Decrease
2013 service and interest cost components	\$ 4	\$ (3)
2013 benefit liability	\$ 39	\$ (34)

### Savings Plan

Certain U.S. employees are eligible to participate in 401(k) savings plans, which are voluntary defined contribution plans. The plans are designed to help employees accumulate additional savings for retirement, and we make Company matching contributions on a portion of eligible pay based on years of service.

As of February 2012, certain U.S. employees earning a benefit under one of our defined benefit pension plans were no longer eligible for the Company matching contributions on their 401(k) contributions.

Certain U.S. salaried employees, who are not eligible to participate in a defined benefit pension plan, are also eligible to receive an employer contribution to the 401(k) savings plan based on age and years of service regardless of employee contribution.

In 2013, 2012 and 2011, our total Company contributions were \$122 million, \$109 million and \$144 million, respectively.

For additional unaudited information on our pension and retiree medical plans and related accounting policies and assumptions, see “Our Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### Note 8 — Related Party Transactions

Our related party transactions in 2013, 2012 and 2011 are not material.

We coordinate, on an aggregate basis, the contract negotiations of sweeteners and other raw material requirements, including aluminum cans and plastic bottles and closures for us and certain of our independent bottlers. Once we have negotiated the contracts, the bottlers order and take delivery directly from the supplier and pay the suppliers directly. Consequently, these transactions are not reflected in our consolidated financial

statements. As the contracting party, we could be liable to these suppliers in the event of any nonpayment by our bottlers, but we consider this exposure to be remote.

In addition, our joint ventures with Unilever (under the Lipton brand name) and Starbucks sell finished goods (ready-to-drink teas and coffees, respectively) to us and our noncontrolled bottling affiliates. Consistent with accounting for equity method investments, our joint venture revenue is not included in our consolidated net revenue.

## Note 9 — Debt Obligations and Commitments

The following table summarizes the Company's long-term debt obligations:

	2013	2012
<b>Short-term debt obligations</b>		
Current maturities of long-term debt	\$ 2,224	\$ 2,901
Commercial paper (0.1% and 0.1%)	2,924	1,101
Other borrowings (12.4% and 7.4%)	158	813
	<u>\$ 5,306</u>	<u>\$ 4,815</u>
<b>Long-term debt obligations</b>		
Notes due 2013 (2.3%)	\$ —	\$ 2,891
Notes due 2014 (5.3% and 4.4%)	2,219	3,237
Notes due 2015 (1.2% and 1.5%)	4,116	3,300
Notes due 2016 (2.5% and 3.9%)	3,106	1,878
Notes due 2017 (2.0% and 2.0%)	1,258	1,250
Notes due 2018 (4.3% and 4.7%)	3,439	3,511
Notes due 2019-2042 (4.0% and 4.4%)	12,373	10,270
Other, due 2014-2020 (4.4% and 9.3%)	46	108
	<u>26,557</u>	<u>26,445</u>
Less: current maturities of long-term debt obligations	<u>(2,224)</u>	<u>(2,901)</u>
<b>Total</b>	<u>\$ 24,333</u>	<u>\$ 23,544</u>

The interest rates in the above table reflect weighted-average rates at year-end.

In the first quarter of 2013, we issued:

- \$625 million of floating rate notes maturing February 2016, which bear interest at a rate equal to the three-month London Inter-Bank Offered Rate (LIBOR) plus 21 basis points;
- \$625 million of 0.700% senior notes maturing in February 2016; and
- \$1.25 billion of 2.750% senior notes maturing in March 2023.

In the third quarter of 2013, we issued:

- \$850 million of floating rate notes maturing in July 2015 (2015 Notes), which bear interest at a rate equal to the three-month LIBOR plus 20 basis points; and
- \$850 million of 2.250% senior notes maturing in January 2019 (2019 Notes).

The net proceeds from the issuances of the notes in the first quarter of 2013 were used for general corporate purposes, including the repayment of commercial paper. The net proceeds from the issuances of the notes in the third quarter of 2013 were primarily used for the redemption of our outstanding 3.75% senior notes maturing in March 2014 (2014 Notes), as described below, with the remainder used for general corporate purposes, including the repayment of commercial paper. In the third quarter of 2013, we exercised our option to redeem all of the above 2014 Notes, using approximately \$1 billion of the net proceeds from the 2015 Notes and 2019 Notes issued in the quarter.

In the second quarter of 2013, we entered into a new five-year unsecured revolving credit agreement (Five-Year Credit Agreement) which expires on June 10, 2018. The Five-Year Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$3.5 billion. Additionally, we may, once a year, request renewal of the agreement for an additional one-year period.

Also, in the second quarter of 2013, we entered into a new 364-day unsecured revolving credit agreement (364-Day Credit Agreement) which expires on June 9, 2014. The 364-Day Credit Agreement enables us and our borrowing subsidiaries to borrow up to \$2.925 billion, subject to customary terms and conditions. We may request that commitments under this agreement be increased up to \$3.5 billion. We may request renewal of this facility for an additional 364-day period or convert any amounts outstanding into a term loan for a period of up to one year, which would mature no later than the then effective termination date.

The Five-Year Credit Agreement and the 364-Day Credit Agreement together replaced our \$2.925 billion Four-Year Credit Agreement dated as of June 14, 2011 and our \$2.925 billion 364-Day Credit Agreement dated as of June 14, 2011. Funds borrowed under the Five-Year Credit Agreement and the 364-Day Credit Agreement may be used for general corporate purposes of PepsiCo and our subsidiaries.

In addition, as of December 28, 2013, our international debt of \$151 million was related to borrowings from external parties including various lines of credit. These lines of credit are subject to normal banking terms and conditions and are fully committed at least to the extent of our borrowings.

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

The following table summarizes our long-term contractual commitments by period:

	Payments Due by Period				
	Total	2014	2015 – 2016	2017 – 2018	2019 and beyond
Long-term debt obligations <sup>(b)</sup>	\$ 23,878	\$ —	\$ 7,198	\$ 4,497	\$ 12,183
Interest on debt obligations <sup>(c)</sup>	8,107	807	1,411	1,221	4,668
Operating leases	2,014	441	631	375	567
Purchasing commitments <sup>(d)</sup>	2,347	798	1,122	196	231
Marketing commitments <sup>(d)</sup>	2,149	326	605	485	733
	<u>\$ 38,495</u>	<u>\$ 2,372</u>	<u>\$ 10,967</u>	<u>\$ 6,774</u>	<u>\$ 18,382</u>

(a) Based on year-end foreign exchange rates. Reserves for uncertain tax positions are excluded from the table above as we are unable to reasonably predict the ultimate amount or timing of any settlements.

(b) Excludes \$2,224 million related to current maturities of long-term debt, \$237 million related to the fair value step-up of debt acquired in connection with our acquisitions of PBG and PAS and \$218 million related to the increase in carrying value of long-term debt representing the gains on our fair value interest rate swaps.

(c) Interest payments on floating-rate debt are estimated using interest rates effective as of December 28, 2013.

(d) Primarily reflects non-cancelable commitments as of December 28, 2013.

Most long-term contractual commitments, except for our long-term debt obligations, are not recorded on our balance sheet. Operating leases primarily represent building leases. Non-cancelable purchasing commitments are primarily for oranges and orange juice and packaging materials. Non-cancelable marketing commitments are primarily for sports marketing. Bottler funding to independent bottlers is not reflected in our long-term contractual commitments as it is negotiated on an annual basis. Accrued liabilities for pension and retiree medical plans are not reflected in our long-term contractual commitments because they do not represent expected future cash outflows. See Note 7 for additional information regarding our pension and retiree medical obligations.

### ***Off-Balance-Sheet Arrangements***

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. See Note 8 regarding contracts related to certain of our bottlers.

See “Our Liquidity and Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our borrowings.

### **Note 10 — Financial Instruments**

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

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

In the normal course of business, we manage these risks through a variety of strategies, including productivity initiatives, global purchasing programs and hedging strategies. 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 Consolidated Statement of Cash Flows. We classify both the earnings and cash flow impact from these derivatives consistent with the underlying hedged item. See “Our Business Risks” in Management’s Discussion and Analysis of Financial Condition and Results of Operations for further unaudited information on our business risks.

For cash flow hedges, changes in fair value are deferred in accumulated other comprehensive loss within common shareholders’ equity until the underlying hedged item is recognized in net income. For fair value hedges, changes in fair value are recognized immediately in earnings, consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our derivative instruments would be substantially offset by an opposite change in the value of the underlying hedged items. Hedging ineffectiveness and a net earnings impact occur when the change in the value of the hedge does not fully offset the change in the value of the underlying hedged item. If the derivative instrument related to a cash flow hedge is terminated, we continue to defer the related gain or loss as part of accumulated other comprehensive loss and then include it as a component of the cost of the underlying hedged item. Upon determination that the underlying hedged item will not be part of an actual transaction, we recognize the related gain or loss on the hedge in net income immediately.

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

### ***Commodity Prices***

We are subject to commodity price risk because our ability to recover increased costs through higher pricing may be limited in the competitive environment in which we operate. This risk is managed through the use of fixed-price contracts and purchase orders, pricing agreements and derivatives. 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. For those derivatives that qualify for hedge accounting, any ineffectiveness is recorded immediately in corporate unallocated expenses. Ineffectiveness was not material for all periods presented. During the next 12 months, we expect to reclassify net losses of \$26 million related to these hedges from accumulated other comprehensive loss into net income. Derivatives used to hedge commodity price risk that do not qualify for hedge accounting are marked to market each period 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 net income.

Our open commodity derivative contracts that qualify for hedge accounting had a face value of \$494 million as of December 28, 2013 and \$507 million as of December 29, 2012.

Our open commodity derivative contracts that do not qualify for hedge accounting had a face value of \$881 million as of December 28, 2013 and \$853 million as of December 29, 2012.

### ***Foreign Exchange***

Our operations outside of the U.S. generate 49% of our net revenue, with Russia, Mexico, Canada, the United Kingdom and Brazil comprising approximately 25% of our net revenue in 2013. As a result, we are exposed to foreign exchange risks.

Additionally, we are also 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 face value of \$2.5 billion as of December 28, 2013 and \$2.8 billion as of December 29, 2012. During the next 12 months, we expect to reclassify net gains of \$11 million related to foreign currency derivative contracts that qualify for hedge accounting from accumulated other comprehensive loss into net income. Ineffectiveness 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 net material impact on earnings.

### ***Interest Rates***

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. We use various interest rate derivative instruments including, but not limited to, interest rate swaps, cross-currency interest rate swaps, Treasury locks and swap locks to manage our overall interest expense and foreign exchange risk. These instruments effectively change the interest rate and currency of specific debt issuances. Certain of our fixed rate indebtedness has been swapped to floating rates. The notional amount, interest payment and maturity date of the interest rate and cross-currency 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 amounts of the interest rate derivative instruments outstanding as of December 28, 2013 and December 29, 2012 were \$7.9 billion and \$8.1 billion, respectively. For those interest rate derivative

instruments that qualify for cash flow hedge accounting, any ineffectiveness is recorded immediately. Ineffectiveness was not material for all periods presented. During the next 12 months, we expect to reclassify net losses of \$23 million related to these hedges from accumulated other comprehensive loss into net income.

As of December 28, 2013, approximately 31% of total debt, after the impact of the related interest rate derivative instruments, was exposed to variable rates, compared to 27% as of December 29, 2012.

### **Fair Value Measurements**

The fair values of our financial assets and liabilities as of December 28, 2013 and December 29, 2012 are categorized as follows:

	2013		2012	
	Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>	Assets <sup>(a)</sup>	Liabilities <sup>(a)</sup>
Available-for-sale securities <sup>(b)</sup>	\$ 135	\$ —	\$ 79	\$ —
Short-term investments – index funds <sup>(c)</sup>	\$ 184	\$ —	\$ 161	\$ —
Prepaid forward contracts <sup>(d)</sup>	\$ 24	\$ —	\$ 33	\$ —
Deferred compensation <sup>(e)</sup>	\$ —	\$ 504	\$ —	\$ 492
<b>Derivatives designated as fair value hedging instruments:</b>				
Interest rate <sup>(f)</sup>	\$ 176	\$ 10	\$ 276	\$ —
<b>Derivatives designated as cash flow hedging instruments:</b>				
Foreign exchange <sup>(g)</sup>	\$ 22	\$ 13	\$ 5	\$ 19
Interest rate <sup>(f)</sup>	19	—	6	—
Commodity <sup>(h)</sup>	6	29	8	24
	\$ 47	\$ 42	\$ 19	\$ 43
<b>Derivatives not designated as hedging instruments:</b>				
Foreign exchange <sup>(g)</sup>	\$ 12	\$ 8	\$ 8	\$ 6
Interest rate <sup>(f)</sup>	71	94	123	153
Commodity <sup>(h)</sup>	20	89	40	45
	\$ 103	\$ 191	\$ 171	\$ 204
Total derivatives at fair value	\$ 326	\$ 243	\$ 466	\$ 247
<b>Total</b>	<b>\$ 669</b>	<b>\$ 747</b>	<b>\$ 739</b>	<b>\$ 739</b>

(a) Financial assets are classified on our balance sheet within prepaid expenses and other current assets and other assets, with the exception of available-for-sale securities and short-term investments, which are classified as short-term investments. Financial liabilities are classified on our balance sheet within accounts payable and other current liabilities and other liabilities. Unless specifically indicated, all financial assets and liabilities are categorized as Level 2 assets or liabilities.

(b) Based on the price of common stock. Categorized as a Level 1 asset.

(c) Based on the price of index funds. Categorized as a Level 1 asset.

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

(e) Based on the fair value of investments corresponding to employees' investment elections. As of December 28, 2013, all balances are categorized as Level 2 liabilities. As of December 29, 2012, \$10 million are categorized as Level 1 liabilities and the remaining balances are categorized as Level 2 liabilities.

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

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

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

The carrying amounts of our cash and cash equivalents and short-term investments approximate fair value due to the short-term maturity. Short-term investments consist principally of short-term time deposits and index funds used to manage a portion of market risk arising from our deferred compensation liability. The

fair value of our debt obligations as of December 28, 2013 and December 29, 2012 was \$29.7 billion and \$30.5 billion, respectively, based upon prices of similar instruments in the marketplace.

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

	<b>Fair Value/Non-designated Hedges</b>		<b>Cash Flow Hedges</b>			
	<b>Losses/(Gains) Recognized in Income Statement<sup>(a)</sup></b>		<b>Losses/(Gains) Recognized in Accumulated Other Comprehensive Loss</b>		<b>Losses Reclassified from Accumulated Other Comprehensive Loss into Income Statement<sup>(b)</sup></b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Foreign exchange	\$ (9)	\$ (23)	\$ (24)	\$ 41	\$ —	\$ 8
Interest rate	99	17	(13)	(2)	3	19
Commodity	126	(23)	57	11	42	63
Total	<u>\$ 216</u>	<u>\$ (29)</u>	<u>\$ 20</u>	<u>\$ 50</u>	<u>\$ 45</u>	<u>\$ 90</u>

(a) Foreign exchange derivative gains/losses are primarily included in selling, general and administrative expenses. Interest rate derivative losses are primarily from fair value hedges and are included in interest expense. These losses are substantially offset by 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 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.

### **Note 11 — Net Income Attributable to PepsiCo per Common Share**

Basic net income attributable to PepsiCo per common share is net income available for PepsiCo common shareholders divided by the weighted average of common shares outstanding during the period. Diluted net income attributable to PepsiCo per common share is calculated using the weighted average of common shares outstanding adjusted to include the effect that would occur if in-the-money employee stock options were exercised and RSUs and preferred shares were converted into common shares. Options to purchase 0.6 million shares in 2013, 9.6 million shares in 2012 and 25.9 million shares in 2011 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 \$75.69 in 2013, \$67.64 in 2012 and \$66.99 in 2011.



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

	2013		2012		2011	
	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>	Income	Shares <sup>(a)</sup>
Net income attributable to PepsiCo	\$ 6,740		\$ 6,178		\$ 6,443	
Preferred shares:						
Dividends	(1)		(1)		(1)	
Redemption premium	(7)		(6)		(6)	
Net income available for PepsiCo common shareholders	\$ 6,732	1,541	\$ 6,171	1,557	\$ 6,436	1,576
Basic net income attributable to PepsiCo per common share	\$ 4.37		\$ 3.96		\$ 4.08	
Net income available for PepsiCo common shareholders	\$ 6,732	1,541	\$ 6,171	1,557	\$ 6,436	1,576
Dilutive securities:						
Stock options, RSUs, and PEPUnits	—	18	—	17	—	20
ESOP convertible preferred stock	8	1	7	1	7	1
Diluted	\$ 6,740	1,560	\$ 6,178	1,575	\$ 6,443	1,597
Diluted net income attributable to PepsiCo per common share	\$ 4.32		\$ 3.92		\$ 4.03	

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

## Note 12 — Preferred Stock

As of December 28, 2013 and December 29, 2012, there were 3 million shares of convertible preferred stock authorized. The preferred stock was issued for an ESOP established by Quaker and these shares are redeemable for common stock by the ESOP participants. The preferred stock accrues dividends at an annual rate of \$5.46 per share. As of December 28, 2013 and December 29, 2012, there were 803,953 preferred shares issued and 167,053 and 186,553 shares outstanding, respectively. The outstanding preferred shares had a fair value of \$69 million as of December 28, 2013 and \$63 million as of December 29, 2012. Each share is convertible at the option of the holder into 4.9625 shares of common stock. The preferred shares may be called by us upon written notice at \$78 per share plus accrued and unpaid dividends. Quaker made the final award to its ESOP plan in June 2001.

The following summarizes our preferred stock activity:

	2013		2012		2011	
	Shares <sup>(a)</sup>	Amount	Shares <sup>(a)</sup>	Amount	Shares <sup>(a)</sup>	Amount
<b>Preferred stock</b>	<b>0.8</b>	<b>\$ 41</b>	<b>0.8</b>	<b>\$ 41</b>	<b>0.8</b>	<b>\$ 41</b>
<b>Repurchased preferred stock</b>						
Balance, beginning of year	0.6	\$ 164	0.6	\$ 157	0.6	\$ 150
Redemptions	—	7	—	7	—	7
Balance, end of year	0.6	\$ 171	0.6	\$ 164	0.6	\$ 157

(a) In millions.

### Note 13 — Accumulated Other Comprehensive Loss Attributable to PepsiCo

Comprehensive income is a measure of income which includes both net income and other comprehensive income or loss. Other comprehensive income or loss results from items deferred from recognition into our income statement. Accumulated other comprehensive income or loss is separately presented on our balance sheet as part of common shareholders' equity. Other comprehensive income/(loss) attributable to PepsiCo was \$360 million in 2013, \$742 million in 2012 and \$(2,599) million in 2011. The accumulated balances for each component of other comprehensive loss attributable to PepsiCo are as follows:

	2013	2012	2011
Currency translation adjustment	\$ (3,247)	\$ (1,946)	\$ (2,688)
Cash flow hedges, net of tax	(76)	(94)	(112)
Unamortized pension and retiree medical, net of tax <sup>(a)</sup>	(1,861)	(3,491)	(3,419)
Unrealized gain on securities, net of tax	109	80	62
Other	(52)	(36)	(72)
Accumulated other comprehensive loss attributable to PepsiCo	<u>\$ (5,127)</u>	<u>\$ (5,487)</u>	<u>\$ (6,229)</u>

(a) Net of taxes of \$945 million in 2013, \$1,832 million in 2012 and \$1,831 million in 2011.

The following table summarizes the reclassifications from Accumulated Other Comprehensive Loss to the Consolidated Statement of Income for the year ended December 28, 2013:

	2013	
	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Consolidated Statement of Income
Losses/(gains) on cash flow hedges:		
Interest rate derivatives	\$ 3	Interest expense
Commodity contracts	44	Cost of sales
Commodity contracts	(2)	Selling, general and administrative expenses
Net losses before tax	45	
Tax amounts	(17)	
Net losses after tax	<u>\$ 28</u>	
Amortization of pension and retiree medical items:		
Net prior service credit <sup>(a)</sup>	\$ (2)	
Net actuarial losses <sup>(a)</sup>	355	
Net losses before tax	353	
Tax amounts	(123)	
Net losses after tax	230	
Total net losses reclassified for the period, net of tax	<u>\$ 258</u>	

(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 14 — Supplemental Financial Information

Supplemental information for accounts and notes receivable and inventories is summarized as follows:

	2013	2012	2011
<b><i>Accounts and notes receivable</i></b>			
Trade receivables	\$ 6,178	\$ 6,215	
Other receivables	921	983	
	<u>7,099</u>	<u>7,198</u>	
Allowance, beginning of year	157	157	\$ 144
Net amounts charged to expense	29	28	30
Deductions <sup>(a)</sup>	(34)	(27)	(41)
Other <sup>(b)</sup>	(7)	(1)	24
Allowance, end of year	<u>145</u>	<u>157</u>	<u>\$ 157</u>
Net receivables	<u>\$ 6,954</u>	<u>\$ 7,041</u>	
<b><i>Inventories</i> <sup>(c)</sup></b>			
Raw materials	\$ 1,732	\$ 1,875	
Work-in-process	168	173	
Finished goods	1,509	1,533	
	<u>\$ 3,409</u>	<u>\$ 3,581</u>	

(a) Includes accounts written off.

(b) Includes adjustments related to acquisitions and divestitures, currency translation and other adjustments.

(c) Approximately 3%, in both 2013 and 2012, of the inventory cost was computed using the LIFO method. The differences between LIFO and FIFO methods of valuing these inventories were not material.

Supplemental information for other assets, accounts payable and other current liabilities is summarized as follows:

	2013	2012
<b><i>Other assets</i></b>		
Noncurrent notes and accounts receivable	\$ 105	\$ 136
Deferred marketplace spending	214	195
Pension plans <sup>(a)</sup>	687	62
Other investments	782	718
Other	419	542
	<u>\$ 2,207</u>	<u>\$ 1,653</u>
<b><i>Accounts payable and other current liabilities</i></b>		
Accounts payable	\$ 4,874	\$ 4,451
Accrued marketplace spending	2,245	2,187
Accrued compensation and benefits	1,789	1,705
Dividends payable	877	838
Other current liabilities	2,748	2,722
	<u>\$ 12,533</u>	<u>\$ 11,903</u>

(a) See Note 7 for additional information regarding our pension plans.

The following table summarizes other supplemental information:

	2013	2012	2011
<b><i>Other supplemental information</i></b>			
Rent expense	\$ 639	\$ 581	\$ 589
Interest paid	\$ 1,007	\$ 1,074	\$ 1,039
Income taxes paid, net of refunds	\$ 3,076	\$ 1,840	\$ 2,218

## **Note 15 — Acquisitions and Divestitures**

### ***WBD***

On February 3, 2011, we acquired the ordinary shares, including shares underlying American Depositary Shares (ADSs) and Global Depositary Shares (GDS), of WBD, a company incorporated in the Russian Federation, which represented in the aggregate approximately 66% of WBD's outstanding ordinary shares, pursuant to the purchase agreement dated December 1, 2010 between PepsiCo and certain selling shareholders of WBD for approximately \$3.8 billion in cash (or \$2.4 billion, net of cash and cash equivalents acquired). The acquisition of those shares increased our total ownership to approximately 77%, giving us a controlling interest in WBD. Under the guidance on accounting for business combinations, once a controlling interest is obtained, we were required to recognize and measure 100% of the identifiable assets acquired, liabilities assumed and noncontrolling interests at their full fair values. Our fair market valuations of the identifiable assets acquired and liabilities assumed were completed in the first quarter of 2012 and the final valuations did not materially differ from those fair values reported as of December 31, 2011.

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

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

### ***Tingyi-Asahi Beverages Holding Co. Ltd.***

On March 31, 2012, we completed a transaction with Tingyi. Under the terms of the agreement, we contributed our Company-owned and joint venture bottling operations in China to Tingyi's beverage subsidiary, Tingyi-Asahi Beverages Holding Co. Ltd. (TAB), and received as consideration a 5% indirect equity interest in TAB. As a result of this transaction, TAB is now our franchise bottler in China. We also have a call option to increase our indirect holding in TAB to 20% by 2015. We recorded restructuring and other charges of \$150 million (\$176 million after-tax or \$0.11 per share), primarily consisting of employee-related charges, in our 2012 results. This charge is reflected in items affecting comparability. See additional unaudited information in "Items Affecting Comparability" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

***Suntory Holdings Limited***

During our second quarter of 2013, as part of the refranchising of our beverage business in Vietnam, we completed a transaction with Suntory Holdings Limited. Under the terms of the agreement, we sold a controlling interest in our Vietnam bottling operations. The new alliance serves as the franchise bottler for both companies. As a result of this transaction, we recorded a pre- and after-tax gain of \$137 million (or \$0.09 per share) in our 2013 results.

## Management's Responsibility for Financial Reporting

To Our Shareholders:

At PepsiCo, our actions – the actions of all our associates – are governed by our Global Code of Conduct. This Code is clearly aligned with our stated values – a commitment to deliver sustained growth through empowered people acting with responsibility and building trust. Both the Code and our core values enable us to operate with integrity – both within the letter and the spirit of the law. Our Code of Conduct is reinforced consistently at all levels and in all countries. We have maintained strong governance policies and practices for many years.

The management of PepsiCo is responsible for the objectivity and integrity of our consolidated financial statements. The Audit Committee of the Board of Directors has engaged independent registered public accounting firm, KPMG LLP, to audit our consolidated financial statements, and they have expressed an unqualified opinion.

We are committed to providing timely, accurate and understandable information to investors. Our commitment encompasses the following:

**Maintaining strong controls over financial reporting.** Our system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission published in their report titled *Internal Control – Integrated Framework* (1992). The system is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded; that assets are safeguarded; and that accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted in the U.S. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods. We monitor these internal controls through self-assessments and an ongoing program of internal audits. Our internal controls are reinforced through our Global Code of Conduct, which sets forth our commitment to conduct business with integrity, and within both the letter and the spirit of the law.

**Exerting rigorous oversight of the business.** We continuously review our business results and strategies. This encompasses financial discipline in our strategic and daily business decisions. Our Executive Committee is actively involved – from understanding strategies and alternatives to reviewing key initiatives and financial performance. The intent is to ensure we remain objective in our assessments, constructively challenge our approach to potential business opportunities and issues, and monitor results and controls.

**Engaging strong and effective Corporate Governance from our Board of Directors.** We have an active, capable and diligent Board that meets the required standards for independence, and we welcome the Board's oversight as a representative of our shareholders. Our Audit Committee is comprised of independent directors with the financial literacy, knowledge and experience to provide appropriate oversight. We review our critical accounting policies, financial reporting and internal control matters with them and encourage their direct communication with KPMG LLP, with our Internal Auditor, and with our General Counsel. We also have a Compliance & Ethics Department, led by our Chief Compliance & Ethics Officer, to coordinate our compliance policies and practices.

**Providing investors with financial results that are complete, transparent and understandable.** The consolidated financial statements and financial information included in this report are the responsibility of management. This includes preparing the financial statements in accordance with accounting principles generally accepted in the U.S., which require estimates based on management's best judgment.

**PepsiCo has a strong history of doing what’s right.** We realize that great companies are built on trust, strong ethical standards and principles. Our financial results are delivered from that culture of accountability, and we take responsibility for the quality and accuracy of our financial reporting.

February 14, 2014

/s/ MARIE T. GALLAGHER

Marie T. Gallagher

Senior Vice President and Controller

/s/ HUGH F. JOHNSTON

Hugh F. Johnston

Executive Vice President and  
Chief Financial Officer

/s/ INDRA K. NOOYI

Indra K. Nooyi

Chairman of the Board of Directors and  
Chief Executive Officer

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
PepsiCo, Inc.:

We have audited the accompanying Consolidated Balance Sheets of PepsiCo, Inc. and Subsidiaries (“PepsiCo, Inc.” or “the Company”) as of December 28, 2013 and December 29, 2012, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 28, 2013. We also have audited PepsiCo, Inc.’s internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). PepsiCo, Inc.’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PepsiCo, Inc. as of December 28, 2013 and December 29, 2012, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, PepsiCo, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by COSO.

/s/ KPMG LLP  
New York, New York  
February 14, 2014

## Selected Financial Data

Selected quarterly financial data for 2013 and 2012 is summarized as follows (in millions except per share amounts, unaudited):

	2013				2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenue	\$ 12,581	\$ 16,807	\$ 16,909	\$ 20,118	\$ 12,428	\$ 16,458	\$ 16,652	\$ 19,954
Gross profit	\$ 6,747	\$ 8,909	\$ 8,963	\$ 10,553	\$ 6,539	\$ 8,543	\$ 8,819	\$ 10,300
Mark-to-market net losses/(gains) <sup>(a)</sup>	\$ 16	\$ 39	\$ 19	\$ (2)	\$ (84)	\$ 79	\$ (121)	\$ 61
Merger and integration charges <sup>(b)</sup>	\$ 1	\$ (1)	\$ 9	\$ 1	\$ 2	\$ 3	\$ 2	\$ 9
Restructuring and impairment charges <sup>(c)</sup>	\$ 11	\$ 19	\$ 7	\$ 126	\$ 33	\$ 77	\$ 83	\$ 86
Venezuela currency devaluation <sup>(d)</sup>	\$ 111	—	—	—	—	—	—	—
Gain on Vietnam refranchising <sup>(e)</sup>	—	\$ (137)	—	—	—	—	—	—
Tax benefits <sup>(f)</sup>	—	—	—	\$ (209)	—	—	—	\$ (217)
Restructuring and other charges related to the transaction with Tingyi <sup>(g)</sup>	—	—	—	—	—	\$ 137	—	\$ 13
Pension lump sum settlement charge <sup>(h)</sup>	—	—	—	—	—	—	—	\$ 195
Net income attributable to PepsiCo	\$ 1,075	\$ 2,010	\$ 1,913	\$ 1,742	\$ 1,127	\$ 1,488	\$ 1,902	\$ 1,661
Net income attributable to PepsiCo per common share – basic	\$ 0.69	\$ 1.30	\$ 1.24	\$ 1.14	\$ 0.72	\$ 0.95	\$ 1.22	\$ 1.07
Net income attributable to PepsiCo per common share – diluted	\$ 0.69	\$ 1.28	\$ 1.23	\$ 1.12	\$ 0.71	\$ 0.94	\$ 1.21	\$ 1.06
Cash dividends declared per common share	\$ 0.5375	\$ 0.5675	\$ 0.5675	\$ 0.5675	\$ 0.515	\$ 0.5375	\$ 0.5375	\$ 0.5375
Stock price per share <sup>(i)</sup>								
High	\$ 79.27	\$ 84.78	\$ 87.06	\$ 86.73	\$ 67.19	\$ 69.74	\$ 73.66	\$ 72.09
Low	\$ 67.39	\$ 77.60	\$ 78.20	\$ 78.67	\$ 62.15	\$ 64.64	\$ 68.10	\$ 67.72
Close	\$ 78.64	\$ 82.13	\$ 79.26	\$ 82.71	\$ 65.30	\$ 69.48	\$ 72.10	\$ 68.02

(a) In 2013 and 2012, we recognized \$72 million (\$44 million after-tax or \$0.03 per share) of mark-to-market net losses and \$65 million (\$41 million after-tax or \$0.03 per share) of mark-to-market net gains, respectively, on commodity hedges in corporate unallocated expenses.

(b) In 2013 and 2012, we incurred merger and integration charges of \$10 million (\$8 million after-tax or \$0.01 per share) and \$16 million (\$12 million after-tax or \$0.01 per share), respectively, related to our acquisition of WBD. See Note 3 to our consolidated financial statements.

(c) In 2013 and 2012, restructuring and impairment charges were \$163 million (\$129 million after-tax or \$0.08 per share) and \$279 million (\$215 million after-tax or \$0.14 per share), respectively. See Note 3 to our consolidated financial statements.

(d) In 2013, we recorded a \$111 million net charge related to the devaluation of the bolivar for our Venezuela businesses. \$124 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$13 million) recorded in our PAB segment. In total, this net charge had an after-tax impact of \$111 million or \$0.07 per share.

(e) In 2013, we recognized a pre- and after-tax gain of \$137 million (or \$0.09 per share) in connection with the refranchising of our beverage business in Vietnam, which was offset by incremental investments in our business. See Note 15 to our consolidated financial statements.

(f) In the fourth quarter of 2013, we recognized a non-cash tax benefit of \$209 million (\$0.13 per share) associated with our agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserve for uncertain tax positions for the tax years 2003 through 2012. The amount above excludes a fourth quarter reduction of our reserve for uncertain tax positions for the tax year 2013 of \$107 million, reversing in full amounts accrued in the first three quarters of 2013; this reduction was more than offset by other tax related adjustments in the fourth quarter of 2013. In 2012, we recognized a non-cash tax benefit of \$217 million (\$0.14 per share) associated with a favorable tax court decision related to the classification of financial instruments. See Note 5 to our consolidated financial statements.

(g) In 2012, we recorded restructuring and other charges of \$150 million (\$176 million after-tax or \$0.11 per share) related to the transaction with Tingyi. See Note 15 to our consolidated financial statements.

- (h) In 2012, we recorded a pension lump sum settlement charge of \$195 million (\$131 million after-tax or \$0.08 per share). See Note 7 to our consolidated financial statements.
- (i) Represents the composite high and low sales price and quarterly closing prices for one share of PepsiCo common stock.

## Five-Year Summary (unaudited)

	2013	2012	2011	2010	2009
Net revenue	\$ 66,415	\$ 65,492	\$ 66,504	\$ 57,838	\$ 43,232
Net income attributable to PepsiCo	\$ 6,740	\$ 6,178	\$ 6,443	\$ 6,320	\$ 5,946
Net income attributable to PepsiCo per common share – basic	\$ 4.37	\$ 3.96	\$ 4.08	\$ 3.97	\$ 3.81
Net income attributable to PepsiCo per common share – diluted	\$ 4.32	\$ 3.92	\$ 4.03	\$ 3.91	\$ 3.77
Cash dividends declared per common share	\$ 2.24	\$ 2.1275	\$ 2.025	\$ 1.890	\$ 1.775
Total assets	\$ 77,478	\$ 74,638	\$ 72,882	\$ 68,153	\$ 39,848
Long-term debt	\$ 24,333	\$ 23,544	\$ 20,568	\$ 19,999	\$ 7,400
Return on invested capital <sup>(a)</sup>	14.0%	13.7%	14.3%	17.0%	27.5%

(a) Return on invested capital is defined as adjusted net income attributable to PepsiCo divided by the sum of average common shareholders' equity and average total debt. Adjusted net income attributable to PepsiCo is defined as net income attributable to PepsiCo plus interest expense after-tax. Interest expense after-tax was \$583 million in 2013, \$576 million in 2012, \$548 million in 2011, \$578 million in 2010 and \$254 million in 2009.

- Includes mark-to-market net losses/(gains) of:

	2013	2012	2011	2010	2009
Pre-tax	\$ 72	\$ (65)	\$ 102	\$ (91)	\$ (274)
After-tax	\$ 44	\$ (41)	\$ 71	\$ (58)	\$ (173)
Per share	\$ 0.03	\$ (0.03)	\$ 0.04	\$ (0.04)	\$ (0.11)

- In 2013, we incurred merger and integration charges of \$10 million (\$8 million after-tax or \$0.01 per share) related to our acquisition of WBD.
- Includes restructuring and impairment charges of:

	2013	2012	2011	2009
Pre-tax	\$ 163	\$ 279	\$ 383	\$ 36
After-tax	\$ 129	\$ 215	\$ 286	\$ 29
Per share	\$ 0.08	\$ 0.14	\$ 0.18	\$ 0.02

- In 2013, we recorded a \$111 million net charge related to the devaluation of the bolivar for our Venezuela businesses. \$124 million of this charge was recorded in corporate unallocated expenses, with the balance (equity income of \$13 million) recorded in our PAB segment. In total, this net charge had an after-tax impact of \$111 million or \$0.07 per share.
- In 2013, we recognized a pre- and after-tax gain of \$137 million (or \$0.09 per share) in connection with the refranchising of our beverage business in Vietnam, which was offset by incremental investments in our business.
- In 2013, we recognized a non-cash tax benefit of \$209 million (\$0.13 per share) associated with our agreement with the IRS resolving all open matters related to the audits for taxable years 2003 through 2009, which reduced our reserves for uncertain tax positions for the tax years 2003 through 2012.
- In 2012, we incurred merger and integration charges of \$16 million (\$12 million after-tax or \$0.01 per share) related to our acquisition of WBD.
- In 2012, we recorded restructuring and other charges of \$150 million (\$176 million after-tax or \$0.11 per share) related to the transaction with Tingyi.
- In 2012, we recorded a pension lump sum settlement charge of \$195 million (\$131 million after-tax or \$0.08 per share).
- In 2012, we recognized a non-cash tax benefit of \$217 million (\$0.14 per share) associated with a favorable tax court decision related to the classification of financial instruments.
- In 2011, we incurred merger and integration charges of \$329 million (\$271 million after-tax or \$0.17 per share) related to our acquisitions of PBG, PAS and WBD.

- The 2011 fiscal year consisted of fifty-three weeks compared to fifty-two weeks in our normal fiscal year. The 53<sup>rd</sup> week increased 2011 net revenue by \$623 million and net income attributable to PepsiCo by \$64 million or \$0.04 per share.
- In 2011, we recorded \$46 million (\$28 million after-tax or \$0.02 per share) of incremental costs related to fair value adjustments to the acquired inventory included in WBD's balance sheet at the acquisition date and hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.
- In 2010, we incurred merger and integration charges of \$799 million related to our acquisitions of PBG and PAS, as well as advisory fees in connection with our acquisition of WBD. In addition, we recorded \$9 million of merger-related charges, representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of \$648 million or \$0.40 per share.
- In 2010, we recorded \$398 million (\$333 million after-tax or \$0.21 per share) of incremental costs related to fair value adjustments to the acquired inventory and other related hedging contracts included in PBG's and PAS's balance sheets at the acquisition date.
- In 2010, in connection with our acquisitions of PBG and PAS, we recorded a gain on our previously held equity interests of \$958 million (\$0.60 per share), comprising \$735 million which was non-taxable and recorded in bottling equity income and \$223 million related to the reversal of deferred tax liabilities associated with these previously held equity interests.
- In 2010, we recorded a \$120 million net charge (\$120 million after-tax or \$0.07 per share) related to our change to highly inflationary accounting for our Venezuelan businesses and the related devaluation of the bolivar.
- In 2010, we recorded a \$145 million charge (\$92 million after-tax or \$0.06 per share) related to a change in scope of one release in our ongoing migration to SAP software.
- In 2010, we made a \$100 million (\$64 million after-tax or \$0.04 per share) contribution to the PepsiCo Foundation Inc., in order to fund charitable and social programs over the next several years.
- In 2010, we paid \$672 million in a cash tender offer to repurchase \$500 million (aggregate principal amount) of our 7.90% senior unsecured notes maturing in 2018. As a result of this debt repurchase, we recorded a \$178 million charge to interest expense (\$114 million after-tax or \$0.07 per share), primarily representing the premium paid in the tender offer.
- In 2009, we recognized \$50 million of merger-related charges related to our acquisitions of PBG and PAS, as well as an additional \$11 million of costs in bottling equity income representing our share of the respective merger costs of PBG and PAS. In total, these costs had an after-tax impact of \$44 million or \$0.03 per share.

## GLOSSARY

**Acquisitions and divestitures:** all mergers and acquisitions activity, including the impact of acquisitions, divestitures and changes in ownership or control in consolidated subsidiaries and nonconsolidated equity investees.

**Bottler Case Sales (BCS):** measure of physical beverage volume shipped to retailers and independent distributors from both PepsiCo and our independent bottlers.

**Bottler funding:** financial incentives we give to our independent bottlers to assist in the distribution and promotion of our beverage products.

**Concentrate Shipments and Equivalents (CSE):** measure of our physical beverage volume shipments to independent bottlers, retailers and independent distributors.

**Constant currency:** financial results assuming constant foreign currency exchange rates used for translation based on the rates in effect for the comparable prior-year period. In order to compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates.

**Consumers:** people who eat and drink our products.

**CSD:** carbonated soft drinks.

**Customers:** authorized independent bottlers, distributors and retailers.

**Derivatives:** financial instruments, such as futures, swaps, Treasury locks, cross currency swaps, options and forward contracts that we use to manage our risk arising from changes in commodity prices, interest rates, foreign exchange rates and stock prices.

**Direct-Store-Delivery (DSD):** delivery system used by us and our independent bottlers to deliver snacks and beverages directly to retail stores where our products are merchandised.

**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.

**Free cash flow:** net cash provided by operating activities less capital spending plus sales of property, plant and equipment. Also referred to as “management operating cash flow.”

**Hedge accounting:** treatment for qualifying hedges that allows fluctuations in a hedging instrument’s fair value to offset corresponding fluctuations in the hedged item in the same reporting period. Hedge accounting is allowed only in cases where the hedging relationship between the hedging instruments and hedged items is highly effective, and only prospectively from the date a hedging relationship is formally documented.

**Independent bottlers:** customers to whom we have granted exclusive contracts to sell and manufacture certain beverage products bearing our trademarks within a specific geographical area.

**Management operating cash flow:** net cash provided by operating activities less capital spending plus sales of property, plant and equipment. Also referred to as “free cash flow.”

**Mark-to-market net gain or loss:** change in market value for commodity contracts that we purchase to mitigate the volatility in costs of energy and raw materials that we consume. The market value is determined based on average prices on national exchanges and recently reported transactions in the marketplace.

**Organic:** a measure that adjusts for impacts of acquisitions, divestitures and other structural changes and foreign exchange translation. This measure also excludes the impact of an extra reporting week in 2011. In excluding the impact of foreign exchange translation, we assume constant foreign exchange rates used for translation based on the rates in effect for the comparable prior-year period. See the definition of “Constant currency” for additional information.

**Servings:** common metric reflecting our consolidated physical unit volume. Our divisions’ physical unit measures are converted into servings based on U.S. Food and Drug Administration guidelines for single-serving sizes of our products.

**Total marketplace spending:** includes sales incentives and discounts offered through various programs to our customers, consumers or independent bottlers, as well as advertising and other marketing activities.

**Transaction gains and losses:** the impact on our consolidated financial statements of exchange rate changes arising from specific transactions.

**Translation adjustment:** the impact of converting our foreign affiliates’ financial statements into U.S. dollars for the purpose of consolidating our financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business Risks.”

**Item 8. Financial Statements and Supplementary Data.**

See “Item 15. Exhibits and Financial Statement Schedules.”

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

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

**(b) Management’s Annual Report on Internal Control over Financial Reporting.** Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Executive Vice President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework* (1992) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 28, 2013.

**Attestation Report of the Registered Public Accounting Firm.** KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

**(c) Changes in Internal Control over Financial Reporting.** During our fourth fiscal quarter of 2013, we continued migrating certain of our financial processing systems to an enterprise-wide systems solution. These systems implementations are part of our ongoing global business transformation initiative, and we plan to continue implementing such systems throughout other parts of our businesses over the course of the next few years. Moreover, we continue to integrate our WBD business, which was acquired in 2011. In connection with these implementations and integration, and resulting business process changes, we continue to enhance the design and documentation of our internal control over financial reporting processes to maintain suitable controls over our financial reporting.

Except as described above, there were no changes in our internal control over financial reporting during our fourth fiscal quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**Item 9B. Other Information.**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Information about our directors and persons nominated to become directors is contained under the caption “Election of Directors” in our Proxy Statement for our 2014 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended December 28, 2013 (the 2014 Proxy Statement) and is incorporated herein by reference. Information about our executive officers is reported under the caption “Executive Officers of the Registrant” in Part I of this report.

Information on the beneficial ownership reporting for our directors and executive officers is contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2014 Proxy Statement and is incorporated herein by reference.

We have a written code of conduct that applies to all of our employees, including our Chairman of the Board and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Controller and to our Board of Directors. Our Global Code of Conduct is distributed to all employees, is available on our website at <http://www.pepsico.com> and is included as Exhibit 14 hereto. A copy of our Global Code of Conduct may be obtained free of charge by writing to Investor Relations, PepsiCo, Inc., 700 Anderson Hill Road, Purchase, New York 10577. Any amendment to our Global Code of Conduct and any waiver applicable to our executive officers or senior financial officers will be posted on our website within the time period required by the SEC and New York Stock Exchange.

Information about the procedures by which security holders may recommend nominees to our Board of Directors can be found in our 2014 Proxy Statement under the caption “Corporate Governance at PepsiCo – The Nominating and Corporate Governance Committee” and is incorporated herein by reference.

Information concerning the composition of the Audit Committee and our Audit Committee financial experts is contained in our 2014 Proxy Statement under the captions “Corporate Governance at PepsiCo – Committees of the Board of Directors” and “Corporate Governance at PepsiCo – The Audit Committee” and is incorporated herein by reference.

**Item 11. Executive Compensation.**

Information about director and executive officer compensation, Compensation Committee interlocks and the Compensation Committee Report is contained in our 2014 Proxy Statement under the captions “2013 Director Compensation,” “Executive Compensation,” and “Corporate Governance at PepsiCo – Compensation Committee Interlocks and Insider Participation,” and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information with respect to securities authorized for issuance under equity compensation plans can be found under the caption “Securities Authorized for Issuance Under Equity Compensation Plans” in our 2014 Proxy Statement and is incorporated herein by reference.

Information on the number of shares of PepsiCo Common Stock beneficially owned by each director and named executive officer, by all directors and executive officers as a group and on each beneficial owner of

more than 5% of PepsiCo Common Stock is contained under the caption “Ownership of PepsiCo Common Stock” in our 2014 Proxy Statement and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information with respect to certain relationships and related transactions and director independence is contained under the captions “Corporate Governance at PepsiCo – Related Person Transactions” and “Corporate Governance at PepsiCo – Director Independence” in our 2014 Proxy Statement and is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services.**

Information on our Audit Committee’s pre-approval policy for audit services and information on our principal accountant fees and services is contained in our 2014 Proxy Statement under the caption “Audit and Non-Audit Fees” and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a)1. Financial Statements

The following consolidated financial statements of PepsiCo, Inc. and its affiliates are included herein by reference to the pages indicated on the index appearing in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

Consolidated Statement of Income – Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

Consolidated Statement of Comprehensive Income – Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

Consolidated Statement of Cash Flows – Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

Consolidated Balance Sheet – December 28, 2013 and December 29, 2012

Consolidated Statement of Equity – Fiscal years ended December 28, 2013, December 29, 2012 and December 31, 2011

Notes to Consolidated Financial Statements, and

Report of Independent Registered Public Accounting Firm.

(a)2. Financial Statement Schedules

These schedules are omitted because they are not required or because the information is set forth in the financial statements or the notes thereto.

(a)3. Exhibits

See Index to Exhibits.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, PepsiCo has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 14, 2014

PepsiCo, Inc.

By: /s/ Indra K. Nooyi

Indra K. Nooyi

Chairman of the Board of Directors and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of PepsiCo and in the capacities and on the date indicated.

<b><u>SIGNATURE</u></b>	<b><u>TITLE</u></b>	<b><u>DATE</u></b>
<u>/s/ Indra K. Nooyi</u> Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 14, 2014
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Executive Vice President and Chief Financial Officer	February 14, 2014
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 14, 2014
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 14, 2014
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 14, 2014
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 14, 2014
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 14, 2014
<u>/s/ Victor J. Dzau</u> Victor J. Dzau	Director	February 14, 2014
<u>/s/ Ray L. Hunt</u> Ray L. Hunt	Director	February 14, 2014
<u>/s/ Alberto Ibargüen</u> Alberto Ibargüen	Director	February 14, 2014
<u>/s/ Sharon Percy Rockefeller</u> Sharon Percy Rockefeller	Director	February 14, 2014
<u>/s/ James J. Schiro</u> James J. Schiro	Director	February 14, 2014
<u>/s/ Lloyd G. Trotter</u> Lloyd G. Trotter	Director	February 14, 2014
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 14, 2014
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 14, 2014

**INDEX TO EXHIBITS**  
**ITEM 15(a)(3)**

The following is a list of the exhibits filed as part of this Form 10-K. The documents incorporated by reference are located in the SEC's Public Reference Room in Washington, D.C. in the SEC's file no. 1-1183.

**EXHIBIT**

- |     |  |
|-----|--|
| 2.1 | Purchase Agreement dated as of December 1, 2010 among PepsiCo, Inc., Pepsi-Cola (Bermuda) Limited, Gavril A. Yushvaev, David Iakobachvili, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, Mikhail I. Vishnaykov, Aladaro Limited, Tony D. Maher, Dmitry Ivanov, Wimm Bill Dann Finance Cyprus Ltd. and Wimm-Bill-Dann Finance Co. Ltd. (the schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K), which is incorporated herein by reference to Exhibit 2.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2010. |
| 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.  |
| 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.   |
| 4.1 | PepsiCo, Inc. agrees to furnish to the SEC, upon request, a copy of any instrument defining the rights of holders of long-term debt of PepsiCo, Inc. and all of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Securities and Exchange Commission.   |
| 4.2 | Indenture dated May 21, 2007 between PepsiCo, Inc. and The Bank of New York Mellon (formerly known as The Bank of New York), as Trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Registration Statement on Form S-3ASR (Registration No. 333-154314) filed with the Securities and Exchange Commission on October 15, 2008.  |
| 4.3 | Form of 5.00% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 21, 2008.  |
| 4.4 | Form of 7.90% Senior Note due 2018, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.  |
| 4.5 | Form of 3.10% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.  |

- 4.6 Form of 4.50% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
- 4.7 Form of 5.50% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2010.
- 4.8 Form of 3.125% Senior Note due 2020, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
- 4.9 Form of 4.875% Senior Note due 2040, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2010.
- 4.10 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 3.10% Senior Note due 2015, 4.50% Senior Note due 2020, 5.50% Senior Note due 2040, 3.125% Senior Note due 2020 and 4.875% Senior Note due 2040, which are incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the 24 weeks ended June 12, 2010.
- 4.11 Form of 2.500% Senior Note due 2016, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
- 4.12 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the 2.500% Senior Note due 2016, the 0.800% Senior Note due 2014, the 3.000% Senior Note due 2021, the 0.750% Senior Note due 2015, the 2.750% Senior Note due 2022, the 4.000% Senior Note due 2042, the 0.700% Senior Note due 2015, the 1.250% Senior Note due 2017, the 3.600% Senior Note due 2042 and the 2.500% Senior Note due 2022, which are incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2011.
- 4.13 Form of 0.800% Senior Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
- 4.14 Form of 3.000% Senior Note due 2021, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 25, 2011.
- 4.15 Form of 0.750% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2012.
- 4.16 Form of 2.750% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2012.

- 4.17 Form of 4.000% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2012.
- 4.18 Form of 0.700% Senior Note due 2015, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- 4.19 Form of 1.250% Senior Note due 2017, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- 4.20 Form of 3.600% Senior Note due 2042, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 13, 2012.
- 4.21 Form of 2.500% Senior Note due 2022, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2012.
- 4.22 Indenture dated as of October 24, 2008 among PepsiCo, Inc., Bottling Group, LLC and The Bank of New York Mellon, as Trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
- 4.23 Form of PepsiCo Guarantee of 6.95% Senior Note due 2014 of Bottling Group, LLC, which is incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
- 4.24 Form of Floating Rate Note due 2016, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.
- 4.25 Form of 0.700% Senior Note due 2016, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.
- 4.26 Form of 2.750% Senior Note due 2023, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.
- 4.27 Board of Directors Resolutions Authorizing PepsiCo, Inc.'s Officers to Establish the Terms of the Floating Rate Note due 2016, the 0.700% Senior Note due 2016, the 2.750% Senior Note due 2023, the Floating Rate Notes due 2015 and the 2.250% Senior Notes due 2019, which are incorporated herein by reference to Exhibit 4.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 28, 2013.



- 4.28 Form of Floating Rate Notes due 2015, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 30, 2013.
- 4.29 Form of 2.250% Senior Notes due 2019, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 30, 2013.
- 4.30 First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Bank of New York Mellon to the Indenture dated March 8, 1999 between The Pepsi Bottling Group, Inc., Bottling Group, LLC and The Chase Manhattan Bank, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.
- 4.31 Indenture, dated as of March 8, 1999, by and among The Pepsi Bottling Group, Inc., as obligor, Bottling Group, LLC, as guarantor, and The Chase Manhattan Bank, as trustee, relating to \$1,000,000,000 7% Series B Senior Note due 2029, which is incorporated herein by reference to Exhibit 10.14 to The Pepsi Bottling Group, Inc.'s Registration Statement on Form S-1 (Registration No. 333-70291).
- 4.32 Second Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and The Bank New York Mellon Trust Company, N.A. to the Indenture dated as of January 15, 1993 between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.
- 4.33 First Supplemental Indenture, dated as of May 20, 1999, including the Indenture dated as of January 15, 1993, between Whitman Corporation and The First National Bank of Chicago, as trustee, which is incorporated herein by reference to Exhibit 4.3 to Post-Effective Amendment No. 1 to PepsiAmericas, Inc.'s Registration Statement on Form S-8 (Registration No. 333-64292) filed with the Securities and Exchange Commission on December 29, 2005.
- 4.34 Form of PepsiAmericas, Inc. 7.625% Note due 2015, which is incorporated herein by reference to Exhibit 4.6 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.35 Form of PepsiAmericas, Inc. 7.29% Note due 2026, which is incorporated herein by reference to Exhibit 4.7 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.36 Form of PepsiAmericas, Inc. 7.44% Note due 2026, which is incorporated herein by reference to Exhibit 4.8 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.

- 4.37 First Supplemental Indenture, dated as of February 26, 2010, among Pepsi-Cola Metropolitan Bottling Company, Inc., PepsiAmericas, Inc. and Wells Fargo Bank, National Association to the Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2010.
- 4.38 Indenture dated as of August 15, 2003 between PepsiAmericas, Inc. and Wells Fargo Bank Minnesota, National Association, as trustee, which is incorporated herein by reference to Exhibit 4 to PepsiAmericas, Inc.'s Registration Statement on Form S-3 (Registration No. 333-108164) filed with the Securities and Exchange Commission on August 22, 2003.
- 4.39 Form of PepsiAmericas, Inc. 4.375% Note due 2014, which is incorporated herein by reference to Exhibit 4.1 to PepsiAmericas, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 10, 2009.
- 4.40 Form of PepsiAmericas, Inc. 4.875% Note due 2015, which is incorporated herein by reference to Exhibit 4.15 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.41 Form of PepsiAmericas, Inc. 5.00% Note due 2017, which is incorporated herein by reference to Exhibit 4.16 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.42 Form of PepsiAmericas, Inc. 5.50% Note due 2035, which is incorporated herein by reference to Exhibit 4.17 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.
- 4.43 Indenture, dated as of June 10, 2003 by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, relating to \$250,000,000 4 1/8% Senior Note due June 15, 2015, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's registration statement on Form S-4 (Registration No. 333-106285) filed with the Securities and Exchange Commission on June 19, 2003.
- 4.44 Indenture, dated as of October 1, 2003, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, as trustee, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2003.
- 4.45 Indenture, dated as of March 30, 2006, by and between Bottling Group, LLC, as obligor, and JPMorgan Chase Bank, N.A., as trustee, which is incorporated herein by reference to Exhibit 4.1 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.
- 4.46 Form of Bottling Group, LLC 5.50% Senior Note due April 1, 2016, which is incorporated herein by reference to Exhibit 4.2 to The Pepsi Bottling Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 25, 2006.

- 4.47 Form of Bottling Group, LLC 6.95% Senior Note due March 15, 2014, which is incorporated herein by reference to Exhibit 4.2 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008.
- 4.48 Form of Bottling Group, LLC 5.125% Senior Note due January 15, 2019, which is incorporated herein by reference to Exhibit 4.1 to Bottling Group, LLC's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2009.
- 4.49 Form of PepsiCo Guarantee of Pepsi-Cola Metropolitan Bottling Company, Inc.'s 7.00% Note due 2029, 7.625% Note due 2015, 7.29% Note due 2026, 7.44% Note due 2026, 4.375% Note due 2014, 4.875% Note due 2015, 5.00% Note due 2017, 5.50% Note due 2035 and Bottling Group, LLC's 4.125% Note due 2015, 5.50% Note due 2016 and 5.125% Note due 2019, which is incorporated herein by reference to Exhibit 4.1 to PepsiCo, Inc.'s Current Report on Form 8-K dated October 5, 2010.
- 10.1 PepsiCo, Inc. 1994 Long-Term Incentive Plan, as amended and restated, effective October 1, 1999, which is incorporated herein by reference to Exhibit 10.6 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 1999.\*
- 10.2 PepsiCo Executive Income Deferral Program (Plan Document for the Pre-409A Program), amended and restated effective July 1, 1997, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.\*
- 10.3 PepsiCo SharePower Stock Option Plan, as amended and restated effective August 3, 2001, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.\*
- 10.4 PepsiCo, Inc. 1995 Stock Option Incentive Plan (as amended and restated effective August 2, 2001), which is incorporated herein by reference to Exhibit 10.14 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.\*
- 10.5 The Quaker Long-Term Incentive Plan of 1990, which is incorporated herein by reference to Exhibit 10.16 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.\*
- 10.6 The Quaker Long-Term Incentive Plan of 1999, which is incorporated herein by reference to Exhibit 10.17 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.\*
- 10.7 PepsiCo, Inc. 2003 Long-Term Incentive Plan, as amended and restated effective September 12, 2008, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.\*

10.8	PepsiCo, Inc. Executive Incentive Compensation Plan, which is incorporated herein by reference to Exhibit B to PepsiCo, Inc.'s Proxy Statement for its 2009 Annual Meeting of Shareholders filed with the Securities and Exchange Commission on March 24, 2009.*
10.9	Form of Regular Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.10	Form of Regular Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.11	Form of Special Long-Term Incentive Award Agreement (Restricted Stock Units Terms and Conditions), which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.12	Form of Special Long-Term Incentive Award Agreement (Stock Option Agreement), which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.13	Form of Non-Employee Director Restricted Stock Unit Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.14	Form of Non-Employee Director Stock Option Agreement, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2005.*
10.15	Form of PepsiCo, Inc. Director Indemnification Agreement, which is incorporated herein by reference to Exhibit 10.20 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2004.*
10.16	Severance Plan for Executive Employees of PepsiCo, Inc. and Affiliates, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.*
10.17	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*
10.18	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.*

- 10.19 Form of Pro Rata Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.\*
- 10.20 Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.\*
- 10.21 Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 2, 2006.\*
- 10.22 PepsiCo Executive Income Deferral Program (Plan Document for the 409A Program), amended and restated effective as of January 1, 2005, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 6, 2008.\*
- 10.23 PepsiCo Director Deferral Program, amended and restated effective as of January 1, 2005 with revisions through September 19, 2012, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 8, 2012.\*
- 10.24 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plans, the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1987 Incentive Plan effective as of December 31, 2005, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005.\*
- 10.25 Amendments to the PepsiCo, Inc. 2003 Long-Term Incentive Plan, the PepsiCo SharePower Stock Option Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the Quaker Long-Term Incentive Plan of 1999, the Quaker Long-Term Incentive Plan of 1990 and the PepsiCo, Inc. Director Stock Plan, effective as of November 17, 2006, which are incorporated herein by reference to Exhibit 10.31 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.\*
- 10.26 Form of Non-Employee Director Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 9, 2006.\*
- 10.27 Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.\*
- 10.28 Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2007.\*

10.29	Amendment to the PepsiCo, Inc. 1994 Long-Term Incentive Plan, the PepsiCo, Inc. 1995 Stock Option Incentive Plan, the PepsiCo SharePower Stock Option Plan and the PepsiCo, Inc. 1987 Incentive Plan, effective as of February 2, 2007, which is incorporated herein by reference to Exhibit 10.41 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.*
10.30	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.31	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.32	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2007.*
10.33	PepsiCo, Inc. 2007 Long-Term Incentive Plan, as amended and restated March 12, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 11, 2010.*
10.34	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.*
10.35	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2008.*
10.36	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.37	Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.38	Form of Pro Rata Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.3 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.39	Form of Stock Option Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.4 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*

10.40	Form of Restricted Stock Unit Retention Award Agreement, which is incorporated herein by reference to Exhibit 10.5 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2009.*
10.41	PepsiCo Pension Equalization Plan (Plan Document for the 409A Plan), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.46 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 27, 2008.*
10.42	Form of Aircraft Time Sharing Agreement, which is incorporated herein by reference to Exhibit 10 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 21, 2009.*
10.43	PepsiCo Pension Equalization Plan (Plan Document for the Pre-Section 409A Program), January 1, 2005 Restatement, As Amended Through December 31, 2008, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 13, 2009.*
10.44	PBG 2004 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.1 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.45	PBG 2002 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.2 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.46	PBG Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.3 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.47	The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, which is incorporated herein by reference to Exhibit 99.4 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.48	PBG Directors' Stock Plan, which is incorporated herein by reference to Exhibit 99.5 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*
10.49	PBG Stock Incentive Plan, which is incorporated herein by reference to Exhibit 99.6 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).*



- 10.50 Amendments to 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 (effective February 8, 2007), which are incorporated herein by reference to Exhibit 99.7 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).\*
- 10.51 Amendments to PBG 2004 Long Term Incentive Plan, PBG 2002 Long Term Incentive Plan, The Pepsi Bottling Group, Inc. Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, PBG Directors' Stock Plan and PBG Stock Incentive Plan (effective February 19, 2010), which are incorporated herein by reference to Exhibit 99.8 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).\*
- 10.52 PepsiAmericas, Inc. 2000 Stock Incentive Plan (including Amendments No. 1, No. 2 and No. 3 thereto), which is incorporated herein by reference to Exhibit 99.9 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).\*
- 10.53 Amendment No. 4 to PepsiAmericas, Inc. 2000 Stock Incentive Plan (effective February 18, 2010), which is incorporated herein by reference to Exhibit 99.10 to PepsiCo, Inc.'s Registration Statement on Form S-8 as filed with the Securities and Exchange Commission on February 26, 2010 (Registration No. 333-165107).\*
- 10.54 Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.11 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.\*
- 10.55 Amendment to the PepsiCo Pension Equalization Plan Document for the 409A Program, adopted February 18, 2010, which is incorporated herein by reference to Exhibit 10.12 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.\*
- 10.56 Specified Employee Amendments to Arrangements Subject to Section 409A of the Internal Revenue Code, adopted February 18, 2010 and March 29, 2010, which is incorporated herein by reference to Exhibit 10.13 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 20, 2010.\*
- 10.57 Form of Performance-Based Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2010.\*
- 10.58 Amendment to the PepsiCo Executive Income Deferral Program Document for the 409A Program, adopted June 28, 2010, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 4, 2010.\*



10.59	Amendment to the PepsiCo Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Document), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.63 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.60	PBG Pension Equalization Plan (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.65 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.61	PBG Pension Equalization Plan (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.66 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.62	PBG Executive Income Deferral Program (Plan Document for the 409A Program), as amended, which is incorporated herein by reference to Exhibit 10.67 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.63	PBG Executive Income Deferral Program (Plan Document for the Pre-409A Program), as amended, which is incorporated herein by reference to Exhibit 10.68 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 25, 2010.*
10.64	Amendment to the PBG Pension Equalization Plan (Plan Document for the 409A Program and Plan Document for the Pre-409A Program), effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 3, 2011.*
10.65	The PepsiCo International Retirement Plan Defined Benefit Program, as amended and restated effective as of January 1, 2010, which is incorporated herein by reference to Exhibit 10.68 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.66	Amendment to The PepsiCo International Retirement Plan Defined Benefit Program, effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.69 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.67	PepsiCo Automatic Retirement Contribution Equalization Plan, effective as of January 1, 2011, which is incorporated herein by reference to Exhibit 10.70 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.68	Amendment to the PepsiCo Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program) and the PBG Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program), generally, effective January 1, 2011 and merging the PBG Pension Equalization Plan into the PepsiCo Pension Equalization Plan as of the end of the day on December 31, 2011, which is incorporated herein by reference to Exhibit 10.71 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*

10.69	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 24, 2012.*
10.70	Amendment to the PepsiCo Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program), effective as of December 1, 2012, which is incorporated herein by reference to Exhibit 10.75 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2012.*
10.71	Letter Agreement, dated March 9, 2012, between PepsiCo, Inc. and Brian Cornell, which is incorporated herein by reference to Exhibit 10.76 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2012.*
10.72	Summary of Compensation Arrangements for Zein Abdalla, which is incorporated herein by reference to Exhibit 10.2 to PepsiCo, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 8, 2012.*
10.73	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2013.*
10.74	Form of Annual Long-Term Incentive Award Agreement, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2013.*
10.75	Five-Year Credit Agreement, dated as of June 10, 2013, among PepsiCo, Inc., as borrower, the lenders named therein, and Citibank, N.A., as administrative agent, which is incorporated herein by reference to Exhibit 10.1 to PepsiCo, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2013.
10.76	Letter Agreement, dated March 17, 2011, between PepsiCo, Inc. and Maura Abeln Smith, which is incorporated herein by reference to Exhibit 10.65 to PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*
10.77	Amendment to the PepsiCo Pension Equalization Plan (both the Plan Document for the 409A Program and Plan Document for the Pre-409A Program), generally effective as of January 1, 2013.*
12	Computation of Ratio of Earnings to Fixed Charges.
14	PepsiCo, Inc. Global Code of Conduct.
21	Subsidiaries of PepsiCo, Inc.
23	Consent of KPMG LLP.

24	Power of Attorney executed by Indra K. Nooyi, Hugh F. Johnston, Marie T. Gallagher, Shona L. Brown, George W. Buckley, Ian M. Cook, Dina Dublon, Victor J. Dzau, Ray L. Hunt, Alberto Ibargüen, Sharon Percy Rockefeller, James J. Schiro, Lloyd G. Trotter, Daniel Vasella and Alberto Weisser.
31	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from PepsiCo, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statement of Income, (ii) the Consolidated Statement of Comprehensive Income (iii) the Consolidated Statement of Cash Flows, (iv) the Consolidated Balance Sheet, (v) the Consolidated Statement of Equity and (vi) Notes to Consolidated Financial Statements.

\* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

**DECEMBER 2013 AMENDMENT TO THE  
PEPSICO PENSION EQUALIZATION PLAN DOCUMENT**

The PepsiCo Pension Equalization Plan (“PEP”) is hereby amended, effective January 1, 2013, unless otherwise provided herein, as follows:

I.

The main plan document for the PEP 409A program is amended as follows:

1. Section 2.1(b)(2) is amended to read in its entirety as follows:

(2) **Lump Sums**: To determine the lump sum value of a Pension, a Pre-Retirement Spouse’s Pension under Section 4.6, or a Pre-Retirement Domestic Partner’s Pension under Section 4.12, the factors applicable for such purposes under the Salaried Plan shall apply.

2. A new subsection 2.1(m) is inserted (and the existing subsection 2.1(m) and subsections following such subsection redesignated accordingly) to read in its entirety as follows:

(m) **Eligible Domestic Partner**: Solely with respect to a Participant who was actively employed by or on an Authorized Leave of Absence from a member of the PepsiCo Organization on or after January 1, 2013, Eligible Domestic Partner means: (i) if the Participant, on the earlier of the date of his or her death and his or her Annuity Starting Date, resides in a state that permits same-sex couples to marry or enter into civil unions (or recognizes same-sex marriage or civil unions entered into in another state), the individual with whom the Participant has entered into such a validly recognized relationship which was in effect on the earlier of the date of the Participant’s death and the Participant’s Annuity Starting Date; or (ii) if the Participant resides, on the earlier of the date of his or her death and his or her Annuity Starting Date, in a state that does not permit same-sex couples to marry or enter into civil unions (nor recognizes same-sex marriages or civil unions entered into in another state), the individual with whom the Participant has executed a legally binding domestic partner agreement meeting the requirements set forth in writing by the Company with respect to eligibility for domestic partner benefits which is valid and in effect on such date. The term “Eligible Domestic Partner” does not include (i) an Eligible Spouse (e.g., if a Participant has a same-sex Eligible Spouse, such Eligible Spouse is not also considered an Eligible Domestic Partner within the meaning of this Plan) or (ii) any individual who is of the opposite sex of the Participant.

3. Subsection 2.1(n) is amended to read in its entirety as follows:

(n) **Eligible Spouse**: The spouse of a Participant to whom the Participant is considered lawfully married for purposes of Federal tax law on the earlier of the Participant’s Annuity Starting Date or the date of the Participant’s death and who, solely for periods before September 16, 2013, is of the opposite sex.

4. A new subsection 2.1(hh) is hereby inserted (and the existing subsection 2.1(gg) (subsection (hh) as renumbered above) and subsections following such subsection redesignated accordingly) to read in its entirety as follows:

(hh) **Pre-Retirement Domestic Partner's Pension**: The Pension available to an Eligible Domestic Partner under the Plan. The term "Pre-Retirement Domestic Partner's 409A Pension" shall be used to refer to the Pension available to an Eligible Domestic Partner under Section 4.12 of this document.

5. The first sentence of Section 2.1(jj)(1) (as renumbered in accordance with the above) is amended to read in its entirety as follows:

For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse's Pension, or Pre-Retirement Domestic Partner's Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended.

6. The first sentence of Section 3.2 is amended to read in its entirety as follows:

A Participant's entitlement to a Pension or, in the event the Participant dies before commencing a benefit hereunder, either a Pre-Retirement Spouse's Pension for his Eligible Spouse or Pre-Retirement Domestic Partner's Pension for his Eligible Domestic Partner, shall be determined under Article IV based upon his period of Service.

7. The first sentence of Section 3.3 is amended to read in its entirety as follows:

Subject to the next two sentences, the amount of a Participant's Pension and a Pre-Retirement Spouse's Pension or a Pre-Retirement Domestic Partner's Pension shall be based upon the Participant's period of Credited Service, as determined under Article III of the Salaried Plan.

8. Section 4.9 is amended to add a new subsection (d) to read in its entirety as follows:

(d) **Distribution of Pre-Retirement Domestic Partner's Pension Benefit**. If at the time payments are to commence to an Eligible Domestic Partner under Section 4.12, the Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's 409A Pension to be paid is equal to or less than the Cashout Limit, the Plan Administrator shall distribute to the Eligible Domestic Partner such Actuarial Equivalent lump sum value of the Pre-Retirement Domestic Partner's Pension that is subject to Section 409A.

9. The last paragraph of Section 4.9 is amended to read in its entirety as follows:

Any lump sum distributed under this section shall be in lieu of the Pension that otherwise would be distributable to the Participant, Eligible Spouse or Eligible Domestic Partner hereunder. The cashout provisions described in subsections (a) through (d) above are intended to be "limited cashout" features within the meaning of Treasury Regulation § 1.409A-3(j)(4)(v), and they shall be interpreted and applied consistently with this regulation. Accordingly in determining if an applicable dollar limit is satisfied, a Participant's entire benefit under this Plan that is subject to Section 409A and all benefits subject to Section 409A under all other nonaccount balance plans (within the meaning of Treasury Regulation § 1.409A-1(c)(2)(i)(C)) shall be taken into account (the "accountable benefit"), and a Participant's entire accountable benefit must be cashed out as of the time in question as a condition to any payout under this Section. In addition, a cashout under

this Section shall not cause an accountable benefit to be paid out before completing any applicable six-month delay (see, e.g., Section 6.6). No Participant, Eligible Spouse or Eligible Domestic Partner shall be given a direct or indirect election with respect to whether the Participant's Vested Pension, the Pre-Retirement Spouse's 409A Pension or the Pre-Retirement Domestic Partner's 409A Pension will be cashed out under this section.

10. A new Section 4.12 is inserted to read in its entirety as follows:

**4.12 Pre-Retirement Domestic Partner's 409A Pension:** A Pre-Retirement Domestic Partner's 409A Pension is payable under this section only in the event the Participant dies prior to his Annuity Starting Date under either the 409A Program or the Pre-409A Program. Any Pre-Retirement Domestic Partner's 409A Pension payable on behalf of a Participant shall commence on the first day of the month following the later of (i) the Participant's death and, (ii) the date the Participant attains or would have attained age 55. Subject to Section 4.9, any Pre-Retirement Domestic Partner's 409A Pension shall continue monthly for the life of the Eligible Domestic Partner.

(a) **Active, Disabled and Retired Employees:** A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under the Salaried Plan to the pre-retirement domestic partner's pension for survivors of active, disabled and retired employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.8 (with the 409A Pension, if any, determined after application of Section 5.6).

(b) **Vested Employees:** A Pre-Retirement Domestic Partner's 409A Pension shall be payable under this subsection to a Participant's Eligible Domestic Partner (if any) who is entitled under the Salaried Plan to the pre-retirement domestic partner's pension for survivors of vested terminated Employees. The amount (if any) of such Pension shall be determined in accordance with the provisions of Section 5.8 (with the 409A Pension, if any, determined after application of Section 5.6). If, pursuant to this Section 4.12(b), a Participant has Pre-Retirement Domestic Partner's Pension coverage in effect for his Eligible Domestic Partner, any Pension calculated for the Participant under Section 5.2(b) shall be reduced for each year such coverage is in effect by the applicable percentage set forth below (based on the Participant's age at the time the coverage is in effect) with a pro rata reduction for any portion of a year. No reduction shall be made for coverage in effect within the 180-day period following a Participant's termination of employment.

Attained Age	Annual Charge
Up to 35	.0%
35-39	.075%
40-44	.1%
45-49	.175%
50-54	.3%
55-59	.5%
60-64	.5%

11. Section 5.2(b)(2)(i) and (ii) is amended to read in its entirety to read as follows:

(2) Calculation: The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following special rules:

(i) Surviving Eligible Spouse's or Eligible Domestic Partner's Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner, the Participant's Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant's Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall begin on the first day of the month coincident with or following the Participant's death and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the actuarial equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the Section 4.6(b) reductions for any Pre-Retirement Spouse's coverage and Section 4.12(b) reductions for any Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving spouse or surviving domestic partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in an Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the elected Annuity without such protection.

12. A new Section 5.8 is inserted to read in its entirety as follows:

5.8 Amount of Pre-Retirement Domestic Partner's Pension: The monthly amount of the Pre-Retirement Domestic Partner's 409A Pension payable to a surviving Eligible Domestic Partner under Section 4.12 shall be determined under subsection (a) below.

(a) Calculation: An Eligible Domestic Partner's Pre-Retirement Domestic Partner's 409A Pension shall be equal to:

(1) The Eligible Domestic Partner's Total Pre-Retirement Domestic Partner's Pension, reduced by

(2) Each of the following that applies:

(i) The Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension,  
and

(ii) If the Participant's Annuity Starting Date occurred with respect to his 409A Pension prior to death, but not with respect to his Pre-409A Pension (or vice versa), the Eligible Domestic Partner's Pre-Retirement Domestic Partner's Pension that would have been payable if the Participant's Annuity Starting Date for such benefit had not already occurred.

(b) Definitions: The following definitions apply for purposes of this section:

(1) An Eligible Domestic Partner's "Total Pre-Retirement Domestic Partner's Pension" means the greater of:

(i) amount of the Eligible Domestic Partner's pre-retirement domestic partner's pension determined under the terms of the Salaried Plan, but without regard to: (A) the limitations imposed by sections 401(a)(17) and 415 of the Code (as such limitations are interpreted and applied under the Salaried Plan), and (B) the actuarial adjustment under Section 5.7(d) of Part B of the Salaried Plan, or



(ii) The amount (if any) of the Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension determined under subsection (c).

In making this comparison, the benefits in subparagraphs (i) and (ii) above shall be calculated as if payable as of what would be the Normal Retirement Date of the Participant related to the Eligible Domestic Partner.

(2) An "Eligible Domestic Partner's Salaried Plan Pre-Retirement Domestic Partner's Pension" means the Pre-Retirement Domestic Partner's Pension that would be payable to the Eligible Domestic Partner under the terms of the Salaried Plan; provided that if such Salaried Plan benefit commenced prior to the date of commencement under this Plan, the amount of such pension shall be increased actuarially by the Plan Administrator to the date of commencement under this Plan.

(c) PEP Guarantee Pre-Retirement Domestic Partner's Pension: An Eligible Domestic Partner's PEP Guarantee Pre-Retirement Domestic Partner's 409A Pension shall be determined in accordance with paragraph (1) or (2) below, whichever is applicable, with reference to the PEP Guarantee (if any) that would have been available to the Participant under Section 5.2.

(1) Normal Rule: The Pre-Retirement Domestic Partner's 409A Pension payable under this paragraph shall be equal to the amount that would be payable as a survivor annuity, under a Qualified Joint and Survivor Annuity, if the Participant had:

(i) Separated from Service on the date of death (or, if earlier, his actual Separation from Service);

(ii) Commenced a Qualified Joint and Survivor Annuity on the same date payments of the Qualified Pre-Retirement Domestic Partner's Pension are to commence; and

(iii) Died on the day immediately following such commencement.

(2) Special Rule for Active and Disabled Employees: Notwithstanding paragraph (1) above, the Pre-Retirement Domestic Partner's 409A Pension paid on behalf of a Participant described in Section 4.6(a) shall not be less than an amount equal to 25 percent of such Participant's PEP Guarantee determined under Section 5.2. For this purpose, Credited Service shall be determined as provided in Section 3.3(d)(2) of the Salaried Plan, and the deceased Participant's Highest Average Monthly Earnings, Primary Social Security Amount and Covered Compensation shall be determined as of his date of death. A Pre-Retirement Domestic Partner's 409A Pension under this paragraph is not reduced for early commencement.

Principles similar to those applicable under - (i) Section 5.1(b), and (ii) the last sentence of Section 5.2(b)(2) shall apply in determining the Pre-Retirement Domestic Partner's 409A Pension under this section.

13. The second sentence of the first paragraph of Article VI is amended to read in its entirety as follows:

A Pre-Retirement Spouse's Pension or Pre-Retirement Domestic Partner's Pension derived from the 409A Program shall be payable as an Annuity for the life of the Eligible Spouse or Eligible Domestic Partner, as applicable, in all cases, subject to Section 4.9 (cashout distributions).

14. Subsections 6.1(b) and (c) are amended to read in their entirety as follows:

(b) 409A Vested Pension: Subject to Section 4.9, Section 6.6 and subsection (c) below, a Participant's 409A Vested Pension shall be distributed in accordance with paragraph (1) or (2) below, unless, in the case of a Participant who is married (as determined under the standards in paragraph 6.1(a)(2), above) or has an Eligible Domestic Partner on his Annuity Starting Date, he elects one of the optional forms of payment distributions in Section 6.2 in accordance with the election procedures in Section 6.3(a):

(1) Separation Prior to Age 55: In the case of a Participant who Separates from Service with at least five years of Service prior to attaining age 55, the Participant's 409A Vested Pension shall be distributed as an Annuity commencing on the first of the month that is coincident with or immediately follows the date he attains age 55, which shall be the Annuity Starting Date of his 409A Vested Pension. A distribution under this subsection shall be in the form of a Qualified Joint and Survivor Annuity if the Participant is married or as a Single Life Annuity if he is not married; provided that an unmarried Participant who has an Eligible Domestic Partner may elect a 50% Survivor Annuity or 75% Survivor Annuity with his Eligible Domestic Partner as his beneficiary as provided in Section 6.2. A Participant shall be considered married or to have a domestic partner for purposes of this paragraph if he is married or has an Eligible Domestic Partner on the Annuity Starting Date of his 409A Vested Pension.

(2) Separation at Ages 55 Through 64: In the case of a Participant who Separates from Service with at least five years but less than ten years of Service and on or after attaining age 55 but prior to attaining age 65, the Participant's 409A Vested Pension shall be distributed as an Annuity (as provided in paragraph (1) above) commencing on the first of the month that follows his Separation from Service.

(c) Disability Pension: The portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be paid on the first day of the month following the later of (i) the Participant's attainment of age 55 and (ii) the Participant's Separation from Service. The available forms of payment for the portion of a Participant's 409A Disability Pension representing Pre-Separation Accruals shall be those forms available to a Participant who is entitled to a Vested Pension, as set forth in Section 6.2, below (including the different forms available to a married Participant/Participant with a domestic partner versus a single Participant). The portion of a Participant's 409A Disability Pension

representing Post-LTD Accruals shall be paid on the first day of the month following the Participant's attainment of age 65 in a lump sum.

15. The first paragraph of subsection 6.2(a) is amended to read in its entirety as follows:

(a) Basic Forms: A Participant who is entitled to a Retirement Pension may choose one of the following optional forms of payment by making a valid election in accordance with the election procedures in Section 6.3(a). A Participant who is entitled to a Vested Pension and who is married on his Annuity Starting Date may choose one of the optional forms of payment available under paragraphs (1), 2(ii) or 2(iii) below with his Eligible Spouse as his beneficiary (and no other optional form of payment available under this subsection (a) shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension who is not married and has an Eligible Domestic Partner on his Annuity Starting Date may choose one of the optional forms available under paragraphs 2(ii) or 2(iii) below with his Eligible Domestic Partner as his beneficiary (and no other optional forms of payment available under this subsection shall be permitted to such a Participant). A Participant who is entitled to a Vested Pension and who is not married and does not have an Eligible Domestic Partner on his Annuity Starting Date shall receive a Single Life Annuity. Each optional annuity is the actuarial equivalent of the Single Life Annuity:

16. Section 6.3 is amended by adding a new subsection (c) to read as follows:

(c) Determination of Marital Status. Effective January 1, 2014, in any case in which the form of payment of a Participant's 409A Pension is determined by his marital status on his Annuity Starting Date, the Plan Administrator shall assume the Participant is unmarried on his Annuity Starting Date unless the Participant provides notice to the Plan prior to his Annuity Starting Date, which is deemed sufficient and satisfactory by the Plan Administrator, that he is married. The Participant shall give such notification to the Plan Administrator when he makes the election described in subsection (a) above or in accordance with such other procedures that are established by the Plan Administrator for this purpose (if any). Notwithstanding the two prior sentences, the Plan Administrator may adopt rules that provide for a different outcome than specified above.

17. Subsection 6.4(b) is amended to read in its entirety as follows:

(b) Non-Spouse Beneficiaries: If a Participant's beneficiary is not his Eligible Spouse, he may not elect:

(1) The 100 percent survivor option described in Section 6.2(a)(2)(i) if his Eligible Domestic Partner or other non-spouse beneficiary is more than 10 years younger than he is, or

(2) The 75 percent survivor option described in Section 6.2(a)(2)(ii) if his Eligible Domestic Partner or other non-spouse beneficiary is more than 19 years younger than he is.

18. The last two sentences of Section 6.5 are amended to read in their entirety as follows:

If no beneficiary is properly designated and a Participant elects a survivor's option described in Section 6.2(a)(2), the Participant's beneficiary shall be his Eligible Spouse or Eligible

Domestic Partner, as applicable. A Participant entitled to a Vested Pension does not have the right or ability to name a beneficiary; if the Participant is permitted under Section 6.2 to elect an optional form of payment, then his beneficiary shall be his Eligible Spouse or Eligible Domestic Partner, as applicable, on his Annuity Starting Date.

19. Article X is amended by adding the following new paragraph at the end thereof:

In addition to the above, to the extent that lump sum termination benefits are paid under this Plan in connection with a severed employee's Special Early Retirement (as defined in Appendix Article D) under a temporary severance program sponsored by the Company, this portion of the Plan shall be a component of the Company's unfunded severance plan that includes the temporary program of severance benefits in question. As a component of a severance plan, the lump sum termination benefits are welfare benefits, and this portion is part of a "welfare benefit plan" under ERISA section 3(1). This severance plan component shall exist solely (i) for the duration of the temporary severance program in question, and (ii) for the purpose of paying severance benefits. As a portion of an ERISA welfare plan, any such temporary severance benefits hereunder shall not be subject to the reporting requirements for top hat plans under ERISA or any of the ERISA requirements for pension plans.

## II.

The documents for the PEP 409A Program and Pre-409A Program are amended to read as follows:

1. A new Section 7.5 is inserted (and the existing Sections 7.5 and 7.6 are renumbered accordingly), to read in its entirety as follows:

7.5 Claimant Must Exhaust the Plan's Claims Procedures Before Filing in Court. Before filing any Claim (including a suit or other action) in court or in another tribunal, a Claimant must first fully exhaust all of the Claimant's rights under the claims procedures of Section 7.3.

(a) Upon review by any court or other tribunal, the exhaustion requirement of this Section 7.5 is intended to be interpreted to require exhaustion in as many circumstances as possible (and any steps necessary to clarify or effect this intent may be taken).

(b) In any action or consideration of a Claim in court or in another tribunal following exhaustion of the Plan's claims procedure as described in this Section 7.5, the subsequent action or consideration shall be limited, to the maximum extent permissible, to the record that was before Plan Administrator in the claims procedure.

(c) The exhaustion requirement of this Section 7.5 shall apply: (i) regardless of whether other Disputes that are not Claims (including those that a court might consider at the same time) are of greater significance or relevance, (ii) to any rights the Plan Administrator may choose to provide in connection with novel Disputes or in particular situations, (iii) regardless of whether the rights are actual or potential and (iv) even if the Plan Administrator has not previously defined or established specific claims procedures that directly apply to the submission and consideration of such Claim (in which case the Plan Administrator (upon notice of the Claim) shall either promptly

establish such claims procedures or shall apply (or act by analogy to) the claims procedures of Section 7.5 that apply to claims for benefits).

(d) The Plan Administrator may make special arrangements to consider a Claim on a class basis or to address unusual conflicts concerns, and such minimum arrangements in these respects shall be made as are necessary to maximize the extent to which exhaustion is required.

(e) For purposes of this Section 7.5, the following definitions apply.

(i) A "Dispute" is any claim, dispute, issue, action or other matter.

(ii) A "Claim" is any Dispute that implicates in whole or in part any one or more of the following -

(A) The interpretation of the Plan;

(B) The interpretation of any term or condition of the Plan;

(C) The interpretation of the Plan (or any of its terms or conditions) in light of applicable law;

(D) Whether the Plan or any term or condition under the Plan has been validly adopted or put into effect;

(E) The administration of the Plan;

(F) Whether the Plan, in whole or in part, has violated any terms, conditions or requirements of ERISA or other applicable law or regulation, regardless of whether such terms, conditions or requirements are, in whole or in part, incorporated into the terms, conditions or requirements of the Plan;

(G) A request for Plan benefits or an attempt to recover Plan benefits;

(H) An assertion that any entity or individual has breached any fiduciary duty; or

(I) Any Claim that: (i) is deemed similar to any of the foregoing by the Plan Administrator, or (ii) relates to the Plan in any way.

(iii) A "Claimant" is any Employee, former Employee, Participant, former Participant, Beneficiary (or the spouse, former spouse, estate, heir or representative of any of the foregoing individuals), or any other individual, person, entity with a relationship to any of the foregoing individuals or the Plan, as well as any group of one or more of the foregoing, who has a Claim.

In connection with this amendment, the sentence in Section 7.3 that currently reads: "In addition, any such review shall be conditioned on the claimants having fully exhausted all

rights under this Section” shall be amended by adding at the end thereof “as is more fully explained in Section 7.5.” Existing Section 7.5 is renumbered Section 7.6, existing Section 7.6 is renumbered Section 7.7, and the reference in the existing Section 7.6 to “Section 7.5” is changed to “Section 7.6.”

### III.

Appendix Article PBG 409A is amended as follows:

1. A new subsection 2.1(h) is inserted (and the existing subsection 2.1(h) and subsections following such subsection redesignated accordingly) to read in its entirety as follows:

(h) **Eligible Domestic Partner:** Solely with respect to a Participant who was actively employed by or on an Authorized Leave of Absence from a member of the PepsiCo Organization on or after January 1, 2013, Eligible Domestic Partner means, in the case of a Participant who on the earlier of his or her date of death and Annuity Starting Date, resides in a state that does not permit same-sex couples to marry, but does permit same-sex couples to enter into civil unions or legally recognized domestic partnerships (or recognizes civil unions or domestic partnerships entered into in another state), the individual with whom the Participant has entered into such a validly recognized relationship which was in effect on the earlier of the date of the Participant’s date of death and Annuity Starting Date; provided that a domestic partnership shall be recognized for this purpose only if the applicable domestic partnership agreement meets the requirements set forth in writing by the Company with respect to eligibility for domestic partner benefits and such agreement is valid and in effect on such date. The term “Eligible Domestic Partner” does not include an Eligible Spouse (e.g., if a Participant has a same-sex Eligible Spouse, such Eligible Spouse is not also considered an Eligible Domestic Partner within the meaning of this Plan).

2. The first sentence of subsection 2.1(q)(1) (subsection 2.1(p)(1) prior to the renumbering prescribed above) is amended to read in its entirety as follows:

For purposes of determining the amount of a Retirement, Vested, Pre-Retirement Spouse’s Pension, or Pre-Retirement Domestic Partner’s Pension, the Primary Social Security Amount shall be the estimated monthly amount that may be payable to a Participant commencing at age 65 as an old-age insurance benefit under the provisions of Title II of the Social Security Act, as amended.

3. Section 4.2(b)(2) is amended to read in its entirety as follows:

(2) Calculation. The amount of the PEP Guarantee shall be determined pursuant to paragraph (1) above, subject to the following rules:

(i) Surviving Eligible Spouse’s or Eligible Domestic Partner’s Annuity: Subject to subparagraph (iii) below and the last sentence of this subparagraph, if the Participant has an Eligible Spouse or Eligible Domestic Partner and has commenced receipt of an Annuity under this section, the Participant’s Eligible Spouse or Eligible Domestic Partner shall be entitled to receive a survivor annuity equal to 50 percent of the Participant’s Annuity under this section, with no corresponding reduction in such Annuity for the Participant. Annuity payments to a surviving Eligible Spouse or Eligible Domestic Partner shall begin on the first day of the month coincident with or following the Participant’s death

and shall end with the last monthly payment due prior to the Eligible Spouse's or Eligible Domestic Partner's death. If the Eligible Spouse or Eligible Domestic Partner is more than 10 years younger than the Participant, the survivor benefit payable under this subparagraph shall be adjusted as provided below.

(A) For each full year more than 10 but less than 21 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by 0.8 percent.

(B) For each full year more than 20 that the surviving Eligible Spouse or Eligible Domestic Partner is younger than the Participant, the survivor benefit payable to such spouse shall be reduced by an additional 0.4 percent.

This subparagraph applies only to a Participant who retires on or after his Early Retirement Date.

(ii) Reductions: The following reductions shall apply in determining a Participant's PEP Guarantee.

(A) If the Participant will receive an Early Retirement Pension, the payment amount shall be reduced by 3/12ths of 1 percent for each month by which the benefit commencement date precedes the date the Participant would attain his Normal Retirement Date.

(B) If the Participant is entitled to a Vested Pension, the payment amount shall be reduced to the actuarial equivalent of the amount payable at his Normal Retirement Date (if payment commences before such date), and the reductions set forth in the Salaried Plan for any Pre-Retirement Spouse's coverage or Pre-Retirement Domestic Partner's coverage shall apply.

(C) This clause applies if the Participant will receive his Pension in a form that provides an Eligible Spouse or Eligible Domestic Partner benefit, continuing for the life of the surviving spouse or surviving domestic partner, that is greater than that provided under subparagraph (i). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the Pension otherwise payable under the foregoing provisions of this section.

(D) This clause applies if the Participant will receive his Pension in a form that provides a survivor annuity for a beneficiary who is not his Eligible Spouse or Eligible Domestic Partner. In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of a Single Life Annuity for the Participant's life.

(E) This clause applies if the Participant will receive his Pension in an Annuity form that includes inflation protection described in Section 6.2(b). In this instance, the Participant's Pension under this section shall be reduced so that the total value of the benefit payable on the Participant's behalf is the actuarial equivalent of the elected Annuity without such protection.

4. The last paragraph of Section 5.1 is amended to read in its entirety as follows:

Payment of any death benefit of a Participant who dies before his Annuity Starting Date under the Plan shall be made to the persons and in the proportions to which any death benefit under the Salaried Plan is or would be paid (including to a Participant's Eligible Domestic Partner to whom pre-retirement death benefits are payable under the Salaried Plan, if any, with respect to deaths occurring on or after January 1, 2013).

IV.

Corrections to the Plan document necessary to carry forth the above amendments, including corrections to cross-references affected by these amendments, shall be made as necessary.

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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/ Christine Griff  
Christine Griff  
Vice President, Tax Counsel

Date December 12, 2013

APPROVED:

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

Date December 12, 2013

PEPSICO, INC. AND SUBSIDIARIES  
 Computation of Ratio of Earnings to Fixed Charges  
 Years Ended December 28, 2013, December 29, 2012, December 31, 2011, December 25, 2010 and  
 December 26, 2009  
 (in millions except ratio amounts)

	2013	2012	2011	2010	2009
<b>Earnings:</b>					
Income before income taxes	\$ 8,891	\$ 8,304	\$ 8,834	\$ 8,232	\$ 8,079
Unconsolidated affiliates' interests, net	(25)	(34)	(30)	72	(301)
Amortization of capitalized interest	5	2	3	3	4
Interest expense <sup>(a)</sup>	911	899	856	903	397
Interest portion of rent expense <sup>(b)</sup>	213	194	196	175	137
<b>Earnings available for fixed charges</b>	<b>\$ 9,995</b>	<b>\$ 9,365</b>	<b>\$ 9,859</b>	<b>\$ 9,385</b>	<b>\$ 8,316</b>
<b>Fixed Charges:</b>					
Interest expense <sup>(a)</sup>	\$ 911	\$ 899	\$ 856	\$ 903	\$ 397
Capitalized interest	7	5	10	6	3
Interest portion of rent expense <sup>(b)</sup>	213	194	196	175	137
<b>Total fixed charges</b>	<b>\$ 1,131</b>	<b>\$ 1,098</b>	<b>\$ 1,062</b>	<b>\$ 1,084</b>	<b>\$ 537</b>
<b>Ratio of Earnings to Fixed Charges<sup>(c)</sup></b>	<b>8.84</b>	<b>8.53</b>	<b>9.29</b>	<b>8.65</b>	<b>15.48</b>

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

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

(c) Based on unrounded amounts.



## Letter from Our Chairman and Chief Executive Officer

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

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

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

Indra K. Nooyi  
Chairman and Chief Executive Officer

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

## PepsiCo Values

### Our Commitment

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

### Guiding Principles

We must always strive to:

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

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# The Purpose Behind Our Performance

## Doing Business the Right Way

Our Code is the “purpose” behind our performance.

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

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

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

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

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

## Responsibility for Our Code

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

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

Our Code applies to:

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

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

## Your Personal Responsibilities

### Follow Our Code

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

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

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

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

Where can I find our company policies?

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

### Lead by Example

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

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

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

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

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

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

### Seek Guidance and Report Concerns

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

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

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

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

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

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

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

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

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

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

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

## Speak Up

### You can contact Speak Up by phone or by web.

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

The Speak Up line is available anywhere in the world:

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

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

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

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

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

## Non-Retaliation

### You will not be retaliated against for raising concerns.

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

- Reports what he or she believes is a violation of our Code, our policies, or the law
- Raises a compliance question or seeks advice about a particular business practice, decision or action

- Cooperates in an investigation of a potential violation

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

## Respect in Our Workplace

### Our Purpose

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

## Diversity and Inclusion

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

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

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

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

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

## Human Rights

### Always be alert to possible human rights violations.

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

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

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

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

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

[See our Human Rights Policy.](#)

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## Anti-Discrimination

You should never discriminate or deny equal opportunity.

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

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

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

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

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## Anti-Harassment

You must not harass others in our workplace.

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

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

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

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

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

### What is sexual harassment?

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

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

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## Health and Safety

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

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

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

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

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

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## Substance Abuse

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

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

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

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

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## Anti-Violence

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

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



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

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

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

[See our Workplace Violence Policy.](#)

## Integrity in Our Marketplace

### Our Purpose

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

### Product Quality

[You should never compromise product quality.](#)

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

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

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

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

[See our Food Safety Policy.](#)

### Responsible Marketing

[If you are involved in marketing, always market our products responsibly.](#)

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

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

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

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

## Our Customers

[We must treat our customers fairly.](#)

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

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

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

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

[Are there any restrictions on signing "side letters" at a customer's request?](#)

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

## Our Suppliers

[All interactions with our suppliers must meet our high ethical standards.](#)

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

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

[Putting Supplier Due Diligence Into Practice](#)

When selecting and retaining suppliers, you should:

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

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

## Our Competitors

[Always compete with integrity and follow applicable antitrust and competition laws.](#)

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

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

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

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

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

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

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

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

## Community Involvement

### Performance with Purpose drives sustainable growth.

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

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

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

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

See our [Sustainability Report](#).

## Ethics in Our Business Activities

### Our Purpose

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

## Conflicts of Interest

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

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

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

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

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

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

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

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

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

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

[See our Conflicts of Interest Policy.](#)

#### Putting Conflict of Interest Concepts into Practice

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

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

## Anti-Corruption

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

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

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

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

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

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

#### What is a "Kickback"?

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

## Anti-Bribery

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

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

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

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

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

#### Putting Responsibility for Agents into Practice

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

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

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

"Government officials" may include:

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

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

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

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

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

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

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## Anti-Money Laundering

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

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

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

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## International Trade Controls

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

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

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

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

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## Political Activities

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

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

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

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

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

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## Business Gifts

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

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

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

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

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

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

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

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

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

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

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

## Responsibility to Our Shareholders

### Our Purpose

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

### Accurate Business Records

Your business records must be accurate and complete.

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

- You are accountable for the accuracy of the business records that you handle in the normal course of business. You should never:
- Falsify, omit, misstate, alter or conceal any information or otherwise misrepresent the facts on a company record
  - Encourage or allow anyone else to compromise the accuracy and integrity of our records

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

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

What is meant by "business records?"

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

### Public Disclosures

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

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

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

See our [Disclosure Policy](#).

Putting Accurate Financial Information Into Practice

Accurate financial reporting means you should never:

- Understate or overstate known or estimated liabilities or assets

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

### Records Management

You should maintain business records in accordance with our [Records Management Policies](#).

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

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

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

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

### Audits and Investigations

Our auditors and investigators require your full cooperation.

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

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

### Company Resources

You have an obligation to protect PepsiCo's resources.

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



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

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

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

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

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

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

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

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## Fraud

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

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

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

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

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## Confidential Information

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

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

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

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

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

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

[See our Trade Secrets Policy.](#)

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

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

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## Insider Trading

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

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

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

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

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

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

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

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

## Privacy

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

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

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

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

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

What personal information does PepsiCo protect?

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

## External Communications

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

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

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

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

See our [Media, Public Speaking and Publication Policy](#), [Disclosure Policy](#) and [Social Media Policy](#).

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

When using social media, whether outside of or at work or in connection with your

work, you should never post photos, images, videos or audio clips of our

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

## Intellectual Property

Always use our trademarks and other intellectual property properly.

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

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

## Email, Internet and Information Systems

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

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

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

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

Putting Information Security into Practice

To safeguard our information systems, you should never:

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

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

## Administering Our Code

### The Global Compliance and Ethics Department

You may contact Global Compliance with questions at any time.

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

### Investigating Misconduct

PepsiCo takes seriously all reports of misconduct.

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

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

In accordance with applicable law, PepsiCo strives to:

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

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

### Disciplinary Actions

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

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

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

### Our Code is Not a Contract

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

### Issuance of and Amendments to Our Code

Our company's Board of Directors is responsible for approving and issuing the Code. The effective date of this Code is October 1, 2012 with revisions through September 27, 2013. Our Code is reviewed periodically by Global Compliance and the Law Department to determine whether revisions may be required due to changes in the law or regulations, or changes in our business or the business environment. The Board of Directors must approve any changes to our Code.

### Acknowledgement

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

### Disclosure of Waivers

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



## Speak Up

Confidential. Toll-free. 24 hours a day.

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

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

Use the Speak Up line to report:

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

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

Speak Up phone numbers are subject to change without prior notice. The most current information will be available on [www.pepsico.com](http://www.pepsico.com).

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





**PEPSICO** PepsiCo, Inc.

700 Anderson Hill Road  
Purchase, NY 10577

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

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



**PEPSICO, INC. SUBSIDIARIES****NAME OF ENTITY**

Abbeyflex Limited  
 Abechuko Inversiones, S.L.  
 Alikate Inversiones, S.L.  
 Alimentos del Istmo, S.A.  
 Alimentos Quaker Oats y Compania Limitada  
 Alimesa S.A.  
 Anderson Hill Insurance Limited  
 Aquafina Inversiones, S.L.  
 Aradhana Drinks and Beverages Private Limited  
 Aradhana Foods and Juices Private Limited  
 Atamanskoe, LLC  
 Barrett Investments S. à r.L.  
 Beaman Bottling Company  
 Bebidas Savoy, C.A.  
 Beech Limited  
 Beimiguel Inversiones, S.L.  
 Bell Taco Funding Syndicate  
 Bendler Investments S. à r.L.  
 Bermuda Holdings, LLC  
 Beverage Services Limited  
 Beverage Services, LLC  
 Beverages, Foods & Service Industries, Inc.  
 Bishkeksut, OJSC  
 Blaue NC, S. de R.L. de C.V.  
 Blind Brook Global Holdings Partnership  
 Blind Brook Global Holdings S. à r.L.  
 Bluebird Foods Limited  
 Bolsherechensk Molkombinat, OJSC  
 Boquitas Fiestas S.R.L.  
 Boquitas Fiestas, LLC  
 Bosso Holdings, LLC  
 Bottling Group Espana, S.L.  
 Bottling Group Financing, LLC  
 Bottling Group Holdings, Inc.  
 Bottling Group, LLC  
 Brading Holding S. à r.L.  
 Bramshaw  
 BUG de Mexico, S.A. de C.V.  
 C & I Leasing, Inc.  
 Canguro Rojo Inversiones, S.L.  
 Caroni Investments, LLC  
 Catalana De Bebidas Carbonicas, SL  
 CEME Holdings, LLC

**JURISDICTION**

Cyprus  
 Spain  
 Spain  
 Panama  
 Guatemala  
 Argentina  
 Bermuda  
 Spain  
 India  
 India  
 Russia  
 Luxembourg  
 United States, Delaware  
 Venezuela  
 Cayman Islands  
 Spain  
 Australia  
 Luxembourg  
 United States, Delaware  
 Bermuda  
 United States, Delaware  
 United States, Delaware  
 Kyrgyzstan  
 Mexico  
 Canada  
 Luxembourg  
 New Zealand  
 Russia  
 Honduras  
 United States, Delaware  
 United States, Delaware  
 Spain  
 United States, Delaware  
 United States, Delaware  
 United States, Delaware  
 Luxembourg  
 Ireland  
 Mexico  
 United States, Maryland  
 Spain  
 United States, Delaware  
 Spain  
 United States, Delaware

**NAME OF ENTITY**

Central K, Inc.  
Centro-Mediterranea de Bebidas Carbonicas PepsiCo, SL  
China Concentrate Holdings (Hong Kong) Limited  
Chipiga, S. de R.L. de C.V  
Chipsy for Food Industries S.A.E.  
Chipsy International for Food Industries S.A.E.  
Cipa Industria de Produtos Alimentares Ltda.  
Cipa Nordeste Industria de Produtos Alimentares Ltda.  
CMC Investment Company  
Cocina Autentica, LLC  
Comercializadora Nacional SAS Ltda.  
Comercializadora PepsiCo Mexico, S de R.L. de C.V.  
Comercializadora Snacks, S.R.L.  
Compania de Bebidas PepsiCo, SL  
Concentrate Manufacturing (Singapore) Pte. Ltd.  
Confiteria Alegro, S. de R.L. de C.V.  
Copella Fruit Juices Limited  
Copper Beech International, LLC  
Corina Snacks Limited  
Corporativo Internacional Mexicano, S. de R.L. de C.V.  
Dark Green Australia Pty Limited  
Daughter Company Wimm-Bill-Dann  
Davlyn Realty Corporation  
Defosto Holdings Limited  
Desarrollo Inmobiliario Gamesa, S. de R.L. de C.V.  
Dilexis S.A.  
Distribuidora Taobe, C.A.  
Dominion Investments S. à r.L.  
Donon Holdings Limited  
Dorset Properties Limited  
Duo Juice Company  
Duo Juice Company B.V.  
Duyvis Production B.V.  
Egmont Holdings Luxembourg S. à r.L.  
Elaboradora Argentina de Cereales S.R.L.  
Enfolg Inversiones, S.L.  
Enter Logistica, LLC  
Environ at Inverrary Partnership  
Environ of Inverrary, Inc.  
EPIC Enterprises, Inc.  
Eridanus Investments S. à r.L.  
Essentuksky plant of mineral waters on KMV Ltd.  
Euro-Juice G.m.b.H. Import and Vertrieb  
Evercrisp Snack Productos de Chile S.A.  
Fabrica de Productos Alimenticios Rene y Cia S.C.A.  
Fabrica de Productos Rene LLC  
Fabrica PepsiCo Mexicali, S. de R.L. de C.V,  
Far East Bottlers (Hong Kong) Limited

**JURISDICTION**

United States, Florida  
Spain  
Hong Kong  
Mexico  
Egypt  
Egypt  
Brazil  
Brazil  
Bermuda  
United States, Delaware  
Colombia  
Mexico  
Venezuela  
Spain  
Singapore  
Mexico  
United Kingdom  
United States, Delaware  
Cyprus  
Mexico  
Australia  
Ukraine  
United States, Delaware  
Cyprus  
Mexico  
Argentina  
Venezuela  
Luxembourg  
Cyprus  
Cyprus  
United States, Delaware  
Netherlands  
Netherlands  
Luxembourg  
Argentina  
Spain  
Russia  
United States, Florida  
United States, Florida  
United States, Massachusetts  
Luxembourg  
Russia  
Germany  
Chile  
Guatemala  
United States, Delaware  
Mexico  
Hong Kong

**NAME OF ENTITY**

Farm Produce Proprietary Limited  
Fester Industria Alimenticia Ltda.  
FL Transportation, Inc.  
FLI Andean, LLC  
FLI Colombia, LLC  
FLI Snacks Andean GP, LLC  
Food Production, CJSC  
Forest Akers Nederland B.V.  
Fovarosí Asványviz és Udítóipari Zártkörűen Működő Részvénytársaság  
Frito Lay (Hungary) Trading and Manufacturing Limited Liability Company  
Frito Lay de Guatemala y Compañía Limitada  
Frito Lay Gıda Sanayi Ve Ticaret Anonim Şirketi  
Frito Lay Sp. z o.o.  
Frito-Lay Australia Holdings Pty Limited  
Frito-Lay De Venezuela S.R.L.  
Frito-Lay Dip Company, Inc.  
Frito-Lay Dominicana, S.A.  
Frito-Lay Global Investments B.V.  
Frito-Lay Investments B.V.  
Frito-Lay Manufacturing LLC  
Frito-Lay Netherlands Holding B.V.  
Frito-Lay North America, Inc.  
Frito-Lay Poland Sp.z.o.o.  
Frito-Lay Sales, Inc.  
Frito-Lay Trading Company (Europe) GmbH  
Frito-Lay Trading Company (Poland) GmbH  
Frito-Lay Trading Company GmbH  
Frito-Lay Trinidad Unlimited  
Frito-Lay, Inc.  
Froooties Limited  
Frúko Mesrubat Sanayi Limited Şirketi  
Fundación Frito Lay de Guatemala  
Fundación Frito Lay Dominicana, Inc.  
Fundación Frito Lay Puerto Rico Inc.  
Fundación PepsiCo de Argentina  
Fundación PepsiCo México, A.C.  
Gambrinus Investments Limited  
Gamesa LLC  
Gamesa, S. de R.L. de C.V.  
Gas Natural de Mérida, S. A. de C. V.  
Gatika Inversiones, S.L.  
Gatorade Limited  
Gatorade Puerto Rico Company  
GB Czech LLC  
GB International, Inc.  
GB Russia LLC  
GB Slovak, LLC  
General Bottlers of Hungary, Inc.

**JURISDICTION**

Australia  
Brazil  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Russia  
Netherlands  
Hungary  
Hungary  
Guatemala  
Turkey  
Poland  
Australia  
Venezuela  
United States, Delaware  
Dominican Republic  
Netherlands  
Netherlands  
Russia  
Netherlands  
United States, Delaware  
Poland  
United States, Delaware  
Switzerland  
Switzerland  
Switzerland  
Trinidad And Tobago  
United States, Delaware  
United Kingdom  
Turkey  
Guatemala  
Dominican Republic  
Puerto Rico  
Argentina  
Mexico  
Cayman Islands  
United States, Delaware  
Mexico  
Mexico  
Spain  
United Kingdom  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware

**NAME OF ENTITY**

Global PepsiCo Luxembourg Holdings S. à r.L.  
Golden Grain Company  
Grande-W Co., Ltd.  
Grayhawk Leasing, LLC  
Green Hemlock International, LLC  
Greip Inversiones, S.L.  
Grupo Frito Lay Compania Limitada  
Grupo Gamesa, S. de R.L. de C.V.  
Grupo Sabritas, S. de R.L. de C.V.  
Gulkevichskiy Maslozavod, CJSC  
Harinera Monterrey, S.A. de C.V.  
Heathland, LP  
Helioscope Limited  
Hillbrook, Inc.  
Hillwood Bottling, LLC  
Holding Company "Opolie", CJSC  
Homefinding Company of Texas  
Hudson Valley Insurance Company  
IC Equities, Inc.  
Icaria Invest S. à r.L.  
Importadora Pepsico Agroindustrial, S.C.A.  
Importadora Pepsico Alimentos, S.C.A.  
Importadora PepsiCo Frito Lay, S.C.A.  
Importadora PepsiCo Quaker, S.C.A.  
Industrias Taobe, C.A.  
Inmobiliaria Goveh S.R.L.  
Inmobiliaria Interamericana, S.A. De C.V.  
Integrated Beverage Services (Bangladesh) Limited  
Integrated Foods & Beverages Pvt. Ltd.  
International Bottlers Management Co. LLC  
International Bottlers-Almaty Limited Liability Partnership  
International KAS Aktiengesellschaft  
International Refreshment (Thailand) Co., Ltd.  
International Refreshments Co. Ltd.  
Inversiones Borneo S.R.L.  
Inversiones PFI Chile Limitada  
Inversiones Santa Coloma, C.A.  
IZZE Beverage Co.  
Jatabe Inversiones, S.L.  
Jordan Ice & Aerated Water Ltd.  
Jugodesalud Inversiones, S.L.  
Jungla Mar del Sur, S.A.  
Karasukskoe Moloko, Doughter CJSC  
KAS Anorthosis S.C.A.  
KAS SL  
KRJ Holdings, S. de R.L. de C.V.  
Kungur Molkombinat, OJSC  
Lacenix Cia. Ltda.

**JURISDICTION**

Luxembourg  
United States, California  
Russia  
United States, Delaware  
United States, Delaware  
Spain  
Guatemala  
Mexico  
Mexico  
Russia  
Mexico  
United States, Delaware  
Cyprus  
United States, Vermont  
United States, Delaware  
Russia  
United States, Texas  
United States, New York  
United States, Delaware  
Luxembourg  
Venezuela  
Venezuela  
Venezuela  
Venezuela  
Venezuela  
Peru  
Mexico  
Bangladesh  
Bangladesh  
United States, Delaware  
Kazakhstan  
Liechtenstein  
Thailand  
Saudi Arabia  
Peru  
Chile  
Venezuela  
United States, Delaware  
Spain  
Jordan  
Spain  
Costa Rica  
Russia  
Luxembourg  
Spain  
Mexico  
Russia  
Ecuador

**NAME OF ENTITY**

Large Investments S. à r.L.  
Larragana Holdings 1, LLC  
Larragana Holdings 2, LLC  
Larragana Holdings 3, LLC  
Larragana Holdings 4, LLC  
Larragana Holdings 5, LLC  
Larragana Holdings 6, LLC  
Larragana Holdings 7, LLC  
Larragana SL  
Latin American Holdings Ltd.  
Latin American Snack Foods ApS  
Latin Foods International, LLC  
Latvian Snacks SIA  
Lebedyansky Holdings, LLC  
Lebedyansky, LLC  
Lehar Foods Private Limited  
Limited Liability Company "Barvenkovo Dairy"  
Limited Liability Company "PepsiCo Foods Ukraine"  
Limited Liability Company "Sandora"  
Linkbay Limited  
Lorencito Inversiones, S.L.  
Luxembourg SCS Holdings, LLC  
Maizoro, S. de R.L. de C.V.  
Management Holdings (Thailand) Co., Ltd.  
Manurga Inversiones, S.L.  
Marbo d.o.o. Laktasi  
Marbo Product d.o.o. Beograd  
Marbo Produkt d.o.o.  
Matudis - Comercio de Produtos Alimentares, Limitada  
Matutano-Sociedade de Produtos Alimentares, Unipessoal, Lda.  
Mid-America Improvement Corporation  
Miglioni Inversiones, S.L.  
Moloko Isilkulya, CJSC  
Moloko Veidelevki, LLC  
Mountain Dew Inversiones, S.L.  
Mountainview Insurance Company, Inc.  
Nadamas Inversiones, S.L.  
Naked Juice Co.  
Naked Juice Co. of Glendora, Inc.  
NCJV, Inc.  
New Bern Transport Corporation  
New Century Beverage Company  
New Generation Beverages Pty Limited  
Niva, CJSC  
Noble Leasing LLC  
Northeast Hot-Fill Co-op, Inc.  
Onbiso Inversiones, S.L.  
One World Enterprises, LLC

**JURISDICTION**

Luxembourg  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Delaware  
Spain  
Cayman Islands  
Denmark  
United States, Delaware  
Latvia  
Russia  
Russia  
India  
Ukraine  
Ukraine  
Ukraine  
Cyprus  
Spain  
United States, Delaware  
Mexico  
Thailand  
Spain  
Bosnia and Herzegovina  
Serbia  
Croatia  
Portugal  
Portugal  
United States, Illinois  
Spain  
Russia  
Russia  
Spain  
United States, Vermont  
Spain  
United States, Pennsylvania  
United States, California  
United States, Delaware  
United States, Delaware  
United States, California  
Australia  
Russia  
United States, Delaware  
United States, Delaware  
Spain  
United States, Delaware

<b><u>NAME OF ENTITY</u></b>	<b><u>JURISDICTION</u></b>
One World Investors, Inc.	United States, Delaware
P.B.I. Fruit Juice Company BVBA	Belgium
P-A Barbados Bottling Company, LLC	United States, Delaware
P-A Bottlers (Barbados) SRL	Barbados
P-Americas, LLC	United States, Delaware
Panafota Holdings	Ireland
Papas Chips S.A.	Uruguay
PAS Beverages Ltd.	Bermuda
PAS International Ltd.	Bermuda
PAS Luxembourg, S. à r.L.	Luxembourg
PAS Netherlands B.V.	Netherlands
Pasteleria La Vienes, C.A.	Venezuela
PBG Beverages Ireland	Ireland
PBG Canada Holdings II, Inc.	United States, Delaware
PBG Canada Holdings, Inc.	United States, Delaware
PBG Cyprus Holdings Limited	Cyprus
PBG International Holdings Luxembourg Jayhawk S.C.S.	Luxembourg
PBG International Holdings Partnership	Bermuda
PBG Investment (Luxembourg) S. à r.L.	Luxembourg
PBG Investment Partnership	Canada
PBG Midwest Holdings S. à r.L.	Luxembourg
PBG Mohegan Holdings Limited	Gibraltar
PBG Soda Can Holdings, S. à r.L.	Luxembourg
PCBL, LLC	United States, Delaware
PCGB (BVI) Limited	British Virgin Islands
PCNA Manufacturing, Inc.	United States, Delaware
PCTI Puerto Rico, Inc.	Puerto Rico
Pei N.V.	Curacao
Pep Trade LLC	Egypt
Pepsi B.V.	Netherlands
Pepsi Bottling Group Cardinals Cooperatie U.A.	Netherlands
Pepsi Bottling Group Global Finance, LLC	United States, Delaware
Pepsi Bottling Group GmbH	Germany
Pepsi Bottling Group Hoosiers B.V.	Netherlands
Pepsi Bottling Holdings, Inc.	United States, Delaware
Pepsi Bugshan Investments S.A.E.	Egypt
Pepsi Cola Colombia Ltda	Colombia
Pepsi Cola Egypt S.A.E.	Egypt
Pepsi Cola Servis Ve Dagitim Ltd.	Turkey
Pepsi Cola Trading Ireland	Ireland
Pepsi Lipton (Guangzhou) Trading Company Limited	China
Pepsi Lipton Holding Company (Hong Kong) Limited	Hong Kong
Pepsi Lipton International Limited	Ireland
Pepsi Logistics Company, Inc.	United States, Delaware
Pepsi Northwest Beverages LLC	United States, Delaware
Pepsi Overseas (Investments) Partnership	Canada
Pepsi Promotions, Inc.	United States, Delaware
Pepsi S.R.L.	Italy



**NAME OF ENTITY**

Pepsi South Bottling LLC  
PepsiAmericas Nemzetközi Szolgáltató Korlátolt Felelősségű Társaság  
PepsiCo (China) Co., Ltd.  
PepsiCo (Gibraltar) Limited  
PepsiCo (Ireland)  
Pepsico (Malaysia) Sdn. Bhd.  
PepsiCo Agro, C.A.  
PepsiCo Alimentos Colombia Ltda.  
PepsiCo Alimentos de Bolivia S.R.L.  
Pepsico Alimentos Ecuador Cia. Ltda.  
PepsiCo Alimentos Peru S.R.L.  
PepsiCo Alimentos Venezuela, S.R.L.  
PepsiCo Alimentos Z.F., Ltda.  
PepsiCo Alimentos, S.C.A.  
PepsiCo Amacoco Bebidas Do Brasil Ltda.  
PepsiCo Antilles Holdings N.V.  
PepsiCo Armenia LLC  
PepsiCo Asia Research & Development Center Company Limited  
PepsiCo Australia Holdings Pty Limited  
PepsiCo Australia International  
PepsiCo BeLux BVBA  
PepsiCo Beverages (Hong Kong) Limited  
PepsiCo Beverages Bermuda Limited  
PepsiCo Beverages International Limited  
PepsiCo Beverages Italia Societa' A Responsabilita' Limitata  
PepsiCo Beverages Switzerland GmbH  
PepsiCo Canada (Holdings) ULC  
PepsiCo Canada Finance, LLC  
PepsiCo Canada ULC  
PepsiCo Captive Holdings, Inc.  
PepsiCo Caribbean, Inc.  
PepsiCo Comercial Secor, S.L.  
PepsiCo Consulting Polska Sp. z o.o.  
PepsiCo CZ s.r.o.  
PepsiCo de Argentina S.R.L.  
PepsiCo De Bolivia S.R.L.  
PepsiCo de Mexico S. de R.L. de C.V.  
PepsiCo Del Paraguay S.R.L.  
PepsiCo Deutschland GmbH  
PepsiCo do Brasil Holding Ltda.  
PepsiCo do Brasil Ltda.  
PepsiCo Eesti AS  
PepsiCo Euro Bermuda Limited  
PepsiCo Euro Finance Antilles B.V.  
PepsiCo Euro Finance Antilles N.V.  
PepsiCo Europe Support Center, S.L.  
PepsiCo Finance (Antilles A) N.V.  
PepsiCo Finance (Antilles A) N.V.

**JURISDICTION**

United States, Delaware  
Hungary  
China  
Gibraltar  
Ireland  
Malaysia  
Venezuela  
Colombia  
Bolivia  
Ecuador  
Peru  
Venezuela  
Colombia  
Venezuela  
Brazil  
Curacao  
Armenia  
China  
Australia  
Australia  
Belgium  
Hong Kong  
Bermuda  
Nigeria  
Italy  
Switzerland  
Canada  
United States, Delaware  
Canada  
United States, Delaware  
Puerto Rico  
Spain  
Poland  
Czech Republic  
Argentina  
Bolivia  
Mexico  
Paraguay  
Germany  
Brazil  
Brazil  
Estonia  
Bermuda  
Curacao  
Curacao  
Spain  
United States, Delaware  
Curacao

**NAME OF ENTITY**

PepsiCo Finance (Antilles B) N.V.  
PepsiCo Finance (South Africa) (Proprietary) Limited  
PepsiCo Finance Europe Limited  
PepsiCo Financial Shared Services, Inc.  
PepsiCo Financiera Y Promocion De Empresas, S.L.  
PepsiCo Food & Beverage Holdings Hong Kong Limited  
PepsiCo Foods (China) Company Limited  
PepsiCo Foods (Private) Limited  
PepsiCo Foods and Beverages International Limited  
PepsiCo Foods Taiwan Co., Ltd.  
PepsiCo Foods Vietnam Company  
PepsiCo Foods, A.I.E.  
PepsiCo France SNC  
PepsiCo Global Investment Holdings Limited  
PepsiCo Global Investments B.V.  
PepsiCo Global Investments S. à r.L.  
PepsiCo Global Mobility, LLC  
PepsiCo Global Real Estate, Inc.  
PepsiCo Group Finance International B.V.  
PepsiCo Group Holdings International B.V.  
PepsiCo Group Spotswood Holdings S.C.S.  
PepsiCo Group, Societe Cooperative  
PepsiCo Gulf International FZE  
PepsiCo Holding de Espana Etve, S.L.  
PepsiCo Holdings  
PepsiCo Holdings Hong Kong Limited  
PepsiCo Holdings Luxembourg S. à r.L.  
PepsiCo Holdings, LLC  
PepsiCo Hong Kong, LLC  
PepsiCo Iberia Servicios Centrales, S.L.  
PepsiCo India Holdings Private Limited  
PepsiCo Internacional México, S. de R. L. de C. V.  
PepsiCo International Limited  
PepsiCo International Pte Ltd.  
PepsiCo Investments (Europe) I B.V.  
PepsiCo Investments Ltd.  
PepsiCo Investments Luxembourg S. à r.L.  
PepsiCo Ireland Food & Beverages  
PepsiCo IVI S.A.  
PepsiCo Japan Co., Ltd.  
PepsiCo Kazakhstan LLP  
PepsiCo Light B.V.  
PepsiCo Logistyka sp. z.o.o.  
PepsiCo Management Services SAS  
PepsiCo Manufacturing, A.I.E.  
PepsiCo Max B.V.  
PepsiCo Mexico R&D Biscuits, S. de R.L. de C.V.  
PepsiCo Mexico R&D Savory, S. de R.L. de C.V.

**JURISDICTION**

Curacao  
South Africa  
United Kingdom  
United States, Delaware  
Spain  
Hong Kong  
China  
Pakistan  
United Kingdom  
Taiwan  
Vietnam  
Spain  
France  
Ireland  
Netherlands  
Luxembourg  
United States, Delaware  
United States, Delaware  
Netherlands  
Netherlands  
Luxembourg  
Luxembourg  
United Arab Emirates  
Spain  
United Kingdom  
Hong Kong  
Luxembourg  
Russia  
United States, Delaware  
Spain  
India  
Mexico  
United Kingdom  
Singapore  
Netherlands  
Mauritius  
Luxembourg  
Ireland  
Greece  
Japan  
Kazakhstan  
Netherlands  
Poland  
France  
Spain  
Netherlands  
Mexico  
Mexico

**NAME OF ENTITY**

PepsiCo Nederland B.V.  
PepsiCo New Zealand Holdings  
PepsiCo Nordic Finland Oy  
PepsiCo Nordic Norway AS  
PepsiCo NZ Finance Antilles B.V.  
PepsiCo One B.V.  
PepsiCo Overseas Corporation  
PepsiCo Pacific Trading Company, Limited  
PepsiCo Panimex Inc  
PepsiCo Products B.V.  
PepsiCo Products FLLC  
PepsiCo Property Management Limited  
PepsiCo Puerto Rico, Inc.  
PepsiCo Russia (Bermuda) Limited  
PepsiCo Sales, Inc.  
PepsiCo Services Asia Ltd.  
PepsiCo Sterling Finance Antilles B.V.  
PepsiCo Trading (Guangzhou) Company  
PepsiCo Twist B.V.  
PepsiCo UK Pension Plan Trustee Limited  
PepsiCo UK Pension Trust Limited  
PepsiCo Ventas Andalucia, SL  
PepsiCo Wave Holdings LLC  
PepsiCo World Trading Company, Inc.  
Pepsi-Cola (Bermuda) Limited  
Pepsi-Cola (Thai) Trading Co., Ltd.  
Pepsi-Cola Advertising and Marketing, Inc.  
Pepsi-Cola Bottlers Holding C.V.  
Pepsi-Cola Bottling Company of Ft. Lauderdale-Palm Beach, LLC  
Pepsi-Cola Bottling Company Of St. Louis, Inc.  
Pepsi-Cola Bottling Finance B.V.  
Pepsi-Cola Bottling Global B.V.  
Pepsi-Cola Company  
Pepsi-Cola de Honduras S.R.L.  
Pepsi-Cola East Africa Limited  
Pepsi-Cola Ecuador Cia. Ltda.  
Pepsi-Cola Far East Trade Development Co., Inc.  
Pepsi-Cola Finance, LLC  
Pepsi-Cola General Bottlers Poland SP, z.o.o.  
Pepsi-Cola Industrial da Amazonia Ltda.  
Pepsi-Cola Interamericana de Guatemala S.A.  
Pepsi-Cola International (Cyprus) Limited  
Pepsi-Cola International (PVT) Limited  
Pepsi-Cola International Limited  
Pepsi-Cola International Limited (U.S.A.)  
Pepsi-Cola International, Cork  
Pepsi-Cola Kft.  
Pepsi-Cola Korea Co., Limited

**JURISDICTION**

Netherlands  
New Zealand  
Finland  
Norway  
Curacao  
Netherlands  
United States, Delaware  
Hong Kong  
Mauritius  
Netherlands  
Belarus  
United Kingdom  
United States, Delaware  
Bermuda  
United States, Delaware  
Thailand  
Curacao  
China  
Netherlands  
United Kingdom  
United Kingdom  
Spain  
United States, Delaware  
United States, Delaware  
Bermuda  
Thailand  
United States, Delaware  
Netherlands  
United States, Florida  
United States, Missouri  
Netherlands  
Netherlands  
United States, Delaware  
Honduras  
United Kingdom  
Ecuador  
Philippines  
United States, Delaware  
Poland  
Brazil  
Guatemala  
Cyprus  
Pakistan  
Bermuda  
United States, Delaware  
Ireland  
Hungary  
Korea, Republic Of

**NAME OF ENTITY**

Pepsi-Cola Maghreb Sarl  
Pepsi-Cola Management and Administrative Services, Inc.  
Pepsi-Cola Manufacturing (Ireland)  
Pepsi-Cola Manufacturing (Mediterranean) Limited  
Pepsi-Cola Manufacturing Company Of Uruguay S.R.L.  
Pepsi-Cola Manufacturing International, Limited  
Pepsi-Cola Marketing Corp. Of P.R., Inc.  
Pepsi-Cola Mediterranean, Ltd.  
Pepsi-Cola Metropolitan Bottling Company, Inc.  
Pepsi-Cola Mexicana Holdings LLC  
Pepsi-Cola Mexicana, S. de R.L. de C.V.  
Pepsi-Cola National Marketing, LLC  
Pepsi-Cola of Corvallis, Inc.  
Pepsi-Cola Operating Company Of Chesapeake And Indianapolis  
Pepsi-Cola Panamericana LLC  
Pepsi-Cola Panamericana S.R.L.  
Pepsi-Cola Panamericana, LLC.  
Pepsi-Cola Panamericana, S.R.L.  
Pepsi-Cola Sales and Distribution, Inc.  
Pepsi-Cola Sales, LLC  
Pepsi-Cola SR, s.r.o.  
Pepsi-Cola Technical Operations, Inc.  
Pepsi-Cola U.K. Limited  
Pepsi-Cola Ukraine LLC  
Pet Iberia SL  
Pete & Johnny Limited  
Pine International Limited  
Pine International LLC  
Pinstripe Leasing, LLC  
PISSA Colombia Ltda.  
Planters U.K. Limited  
PlayCo, Inc.  
Plemzavod "Za mir I trud", OJSC  
PR Beverages Bermuda Holding Ltd.  
PR Beverages Cyprus (Russia) Holding Limited  
PR Beverages Cyprus Holding Limited  
PRB Luxembourg International S. à r.L.  
PRB Luxembourg S. à r.L.  
Prestwick LLC  
Prev PepsiCo Sociedade Previdenciaria  
Productos Industrializados Saltillo, S. de R.L. de C.V.  
  
Productos S.A.S. C.V.  
Productos SAS Management B.V.  
Promociones Cara o Cruz, C.A.  
  
PRS, Inc.  
PSE Logistica S.R.L.  
PT Quaker Indonesia  
Punch N.V.

**JURISDICTION**

Morocco  
United States, Delaware  
Ireland  
Bermuda  
Uruguay  
Bermuda  
Puerto Rico  
United States, Wyoming  
United States, New Jersey  
United States, Delaware  
Mexico  
United States, Delaware  
United States, Oregon  
United States, Delaware  
Colombia  
Peru  
United States, Delaware  
Venezuela  
United States, Delaware  
United States, Delaware  
Slovakia  
United States, Delaware  
United Kingdom  
Ukraine  
Spain  
United Kingdom  
Cayman Islands  
United States, Delaware  
United States, Delaware  
Colombia  
United Kingdom  
United States, Delaware  
Russia  
Bermuda  
Cyprus  
Cyprus  
Luxembourg  
Luxembourg  
United States, Delaware  
Brazil  
Mexico  
  
Netherlands  
Netherlands  
Venezuela  
  
United States, Delaware  
Argentina  
Indonesia  
Curacao

**NAME OF ENTITY**

Punica Getranke GmbH  
Q O Puerto Rico, Inc.  
QBU Marketing Services, S. de R.L. de C.V.  
QBU Trading Company, S. de R.L. de C.V.  
QFL OHQ Sdn. Bhd.  
QTG Development, Inc.  
QTG Services, Inc.  
QuadGat Beverage Company (Europe) Limited  
Quadrant-Amroq Beverages Moldova S.A.  
Quadrant-Amroq Bottling Company (Europe) Limited  
Quaker Beverages Italia S.p.A  
Quaker Development B.V.  
Quaker European Beverages, LLC  
Quaker European Investments B.V.  
Quaker Foods  
Quaker Global Investments B.V.  
Quaker Holdings (UK) Limited  
Quaker Manufacturing, LLC  
Quaker Oats Asia, Inc.  
Quaker Oats Australia Pty Ltd  
Quaker Oats B.V.  
Quaker Oats Capital Corporation  
Quaker Oats Europe LLC  
Quaker Oats Europe, Inc.  
Quaker Oats Limited  
Quaker Peru S.R.L.  
Quaker Sales & Distribution, Inc.  
Quaker Trading Limited  
Ramenskoe Moloko Co. Ltd.  
Rare Fare Foods, Inc.  
Rasines Inversiones, S.L.  
Read Finance S.a r.l.  
Rebujito Inversiones, S.L.  
Rolling Frito-Lay Sales, LP  
Ronkas Inversiones, S.L.  
S & T of Mississippi, Inc.  
S.C. Quadrant - Amroq Beverages S.R.L.  
S.C. Star Foods E.M. S.R.L.  
S.C. Vitarom Impex S.R.L.  
Sabritas de Costa Rica, S. de R.L.  
Sabritas Snacks America Latina de Nicaragua y Cia, Ltda  
Sabritas y Compania, SCA  
Sabritas, LLC  
Sabritas, S. de R.L. de C.V.  
Sakata Rice Snacks Australia Pty Ltd  
Sandora Holdings B.V.  
Saudi Snack Foods Company Limited  
Seepoint Holdings Ltd.

**JURISDICTION**

Germany  
Puerto Rico  
Mexico  
Mexico  
Malaysia  
United States, Delaware  
United States, Delaware  
Cyprus  
Moldova, Republic of  
Cyprus  
Italy  
Netherlands  
United States, Delaware  
Netherlands  
United Kingdom  
Netherlands  
United Kingdom  
United States, Delaware  
United States, Delaware  
Australia  
Netherlands  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United Kingdom  
Peru  
United States, Delaware  
United Kingdom  
Russia  
United States, Delaware  
Spain  
Luxembourg  
Spain  
United States, Delaware  
Spain  
United States, Mississippi  
Romania  
Romania  
Romania  
Costa Rica  
Nicaragua  
El Salvador  
United States, Delaware  
Mexico  
Australia  
Netherlands  
Saudi Arabia  
Cyprus

**NAME OF ENTITY**

Senrab  
Serenitatis Limited  
Servicios Andinos 0906, S.R.L.  
Servicios Chipiga, S. de R.L. de C.V.  
Servicios Gamesa Puerto Rico, L.L.C.  
Servicios GBF, Sociedad de Responsabilidad Limitada  
Servicios GFLG y Compania Limitada  
Servicios Harinera Monterrey, S.A. de C.V.  
Seven-Up Asia, Inc.  
Seven-Up Europe Limited  
Seven-Up Light B.V.  
Seven-Up Nederland B.V.  
Shanghai PepsiCo Snack Company Limited  
Shanghai YuHo Agricultural Development Co., Ltd  
Sharepower, Inc.  
Shoebill, LLC  
SIH International LLC  
Simba (Proprietary) Limited  
Simba Quix Swaziland (Pty) Limited  
Smartfoods, Inc.  
Smiths Crisps Limited  
Snack Food Investments GmbH  
Snack Food Investments II GmbH  
Snack Food Investments Limited  
Snack Food-Beverage Asia Products Limited  
Snacks America Latina S.R.L.  
Snacks Guatemala, Ltd.  
Sobol Aqua CJSC  
South Beach Beverage Company, Inc.  
South Properties, Inc.  
Sportmex Internacional, S.A. de C.V.  
Spruce Limited  
Stacy's Pita Chip Company, Incorporated  
Star Foods Bulgaria EOOD  
Stepplan Inversiones, S.L.  
Stokely-Van Camp, Inc.  
Strategic Beverages (Thailand) Co., Ltd.  
SVC Logistics, Inc.  
SVC Manufacturing, Inc.  
SVE Russia Holdings GmbH  
Tanglewood Finance S. à r.L.  
Tastes of Adventures Pty Limited  
Tasty Foods S.A.  
TFL Holdings, LLC  
The Concentrate Manufacturing Company Of Ireland  
The Gatorade Company  
The Gatorade Company of Australia Pty Limited  
The Original Pretzel Company Pty Limited

**JURISDICTION**

Ireland  
Gibraltar  
Venezuela  
Mexico  
Puerto Rico  
Honduras  
Guatemala  
Mexico  
United States, Missouri  
United Kingdom  
Netherlands  
Netherlands  
China  
China  
United States, Delaware  
United States, Delaware  
United States, Delaware  
South Africa  
Swaziland  
United States, Delaware  
United Kingdom  
Switzerland  
Switzerland  
Bermuda  
Hong Kong  
Peru  
Bermuda  
Russia  
United States, Delaware  
United States, Illinois  
Mexico  
Cayman Islands  
United States, Massachusetts  
Bulgaria  
Spain  
United States, Indiana  
Thailand  
United States, Delaware  
United States, Delaware  
Germany  
Luxembourg  
Australia  
Greece  
United States, Delaware  
Ireland  
United States, Delaware  
Australia  
Australia

**NAME OF ENTITY**

The Pepsi Bottling Group (Canada) ULC  
The Quaker Oats Company  
The Radical Fruit Company of New York  
The Smith's Snackfood Company Limited  
Tobago Snack Holdings, LLC  
Tropicana Alvalle SL  
Tropicana Beverages Greater China Limited  
Tropicana Beverages Limited  
Tropicana Europe N.V.  
Tropicana Manufacturing Company, Inc.  
Tropicana Products Sales, Inc.  
Tropicana Products, Inc.  
Tropicana Services, Inc.  
Tropicana Transportation Corp.  
Tropicana United Kingdom Limited  
Troya-Ultra LLC  
Trud, OJSC  
Tuymazinskiy Molokozavod OJSC  
UAB Lithuanian Snacks  
United Foods Companies Restaurantes S.A.  
Veurne Snack Foods BVBA  
Vitamin Brands Ltd.  
Walkers Crisps Limited  
Walkers Group Limited  
Walkers Snack Foods Limited  
Walkers Snack Services Limited  
Walkers Snacks (Distribution) Limited  
Walkers Snacks Limited  
Wesellsoda Inversiones, S.L.  
Whitman Corporation  
Whitman Insurance Co. Ltd.  
Wimm Bill Dann Finance Cyprus Ltd.  
Wimm-Bill-Dann Beverages OJSC  
Wimm-Bill-Dann Brands Co. Ltd.  
Wimm-Bill-Dann Central Asia-Almaty, LLP  
Wimm-Bill-Dann Finance Co. Ltd.  
Wimm-Bill-Dann Foods OJSC  
Wimm-Bill-Dann Georgia Ltd.  
Wimm-Bill-Dann Netherlands B.V.  
Wimm-Bill-Dann OJSC  
Wimm-Bill-Dann Ukraine, OJSC  
Wotsits Brands Limited  
Zavety Ilyicha, OJSC

**JURISDICTION**

Canada  
United States, New Jersey  
Ireland  
Australia  
United States, Delaware  
Spain  
Hong Kong  
Hong Kong  
Belgium  
United States, Delaware  
United States, Delaware  
United States, Delaware  
United States, Florida  
United States, Delaware  
United Kingdom  
Russia  
Russia  
Russia  
Lithuania  
Brazil  
Belgium  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
Spain  
United States, Delaware  
United States, Vermont  
Cyprus  
Russia  
Russia  
Kazakhstan  
Russia  
Russia  
Georgia  
Netherlands  
Russia  
Ukraine  
United Kingdom  
Russia

## EXHIBIT 23

### Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
PepsiCo, Inc.:

We consent to incorporation by reference in the registration statements and Forms listed below of PepsiCo, Inc. and subsidiaries ("PepsiCo, Inc.") of our report dated February 14, 2014, with respect to the Consolidated Balance Sheets of PepsiCo, Inc. as of December 28, 2013 and December 29, 2012, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for each of the fiscal years in the three-year period ended December 28, 2013, and the effectiveness of internal control over financial reporting as of December 28, 2013, which report appears in the December 28, 2013 annual report on Form 10-K of PepsiCo, Inc.

### Description, Registration Statement Number

#### Form S-3

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

#### Form S-8

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

/s/ KPMG LLP

New York, New York

February 14, 2014



**POWER OF ATTORNEY**

**KNOW ALL BY THESE PRESENTS**, that PepsiCo, Inc. ("PepsiCo") and each other undersigned, an officer or director, or both, of PepsiCo, do hereby appoint Larry D. Thompson, Kelly Tullier and Cynthia Nastanski, and each of them severally, its, his or her true and lawful attorney-in-fact to execute on behalf of PepsiCo and the undersigned the following documents and any and all amendments thereto (including post-effective amendments) deemed necessary or appropriate by either such attorney-in-fact:

- (i) Automatic Shelf Registration Statement No. 333-133735 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units, the Automatic Shelf Registration Statement No. 333-154314 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants and Units and the Automatic Shelf Registration Statement No. 333-177307 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Warrants and Units;
- (ii) Registration Statements No. 33-53232, 33-64243 and 333-102035 relating to the offer and sale of PepsiCo's Debt Securities, Warrants and Guarantees;
- (iii) Registration Statements No. 33-4635, 33-21607, 33-30372, 33-31844, 33-37271, 33-37978, 33-47314, 33-47527, 333-53436 and 333-56302 all relating to the primary and/or secondary offer and sale of PepsiCo Common Stock issued or exchanged in connection with acquisition transactions;
- (iv) Registration Statements No. 33-29037, 33-35602, 33-42058, 33-51496, 33-54731, 33-42121, 33-50685, 33-66150 and 333-109513 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo SharePower Stock Option Plan;
- (v) Registration Statements No. 2-82645, 33-51514, 33-60965 and 333-89265 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo 401(k) Plan or the PepsiCo Long-Term Savings Program; Registration Statement No. 333-65992 relating to the offer and sale of PepsiCo Common Stock under the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates (Teamsters Local Union #173), the Retirement Savings and Investment Plan for Union Employees of Tropicana Products, Inc. and Affiliates; Registration Statement No. 333-66634 relating to the offer and sale of PepsiCo Common Stock under The Quaker 401(k) Plan for Salaried Employees and The Quaker 401(k) Plan for Hourly Employees; Registration Statements Numbers 333-76196 and 333-150867 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Salaried Employees; and Registration Statements Numbers 333-76204 and 333-150868 each relating to the offer and sale of PepsiCo Common Stock under The PepsiCo 401(k) Plan for Hourly Employees;

- (vi) Registration Statements No. 33-61731, 333-09363 and 333-109514 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1995 Stock Option Incentive Plan; Registration Statement No. 33-54733 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo, Inc. 1994 Long-Term Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 33-19539 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1987 Incentive Plan and resales of such shares by executive officers of PepsiCo; Registration Statement No. 2-65410 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's 1979 Incentive Plan and 1972 Performance Share Plan, as amended; Registration Statement No. 333-66632 relating to the offer and sale of PepsiCo Common Stock under 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; Registration Statement No. 333-109509 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2003 Long-Term Incentive Plan and resales of such shares by executive officers and directors of PepsiCo; and Registration Statements Nos. 333-142811 and 333-166740 relating to the offer and sale of PepsiCo Common Stock under the PepsiCo, Inc. 2007 Long-Term Incentive Plan;
- (vii) Registration Statements No. 33-22970 and 333-110030 relating to the offer and sale of PepsiCo Common Stock under PepsiCo's Director Stock Plan and resales of such shares by Directors of PepsiCo;
- (viii) Registration Statement No. 333-162261 relating to the issuance of shares of PepsiCo Common Stock to stockholders of The Pepsi Bottling Group, Inc. pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Pepsi-Cola Metropolitan Bottling Company, Inc. ("Metro");
- (ix) Registration Statement No. 333-162260 relating to the issuance of shares of PepsiCo Common Stock to stockholders of PAS pursuant to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
- (x) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PBG and Metro;
- (xi) Schedule 13E-3 relating to the Agreement and Plan of Merger dated as of August 3, 2009, as may be amended from time to time, among PepsiCo, PAS and Metro;
- (xii) Registration Statement No. 333-87526 relating to the offer and sale of PepsiCo Common Stock under The PepsiCo Share Award Plan;
- (xiii) Registration Statement No. 333-165106 relating to the offer and sale of PepsiCo Common Stock under the PBG 401(k) Savings Program, the PBG 401(k) Program, the PepsiAmericas, Inc. Salaried 401(k) Plan and the PepsiAmericas, Inc. Hourly 401(k) Plan;

- (xiv) Registration Statement No. 333-165107 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan, the PBG Directors' Stock Plan, the PBG Stock Incentive Plan and the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
- (xv) Registration Statement No. 333-165176 relating to the offer and sale of PepsiCo Common Stock under the PepsiAmericas, Inc. 2000 Stock Incentive Plan;
- (xvi) Registration Statement No. 333-165177 relating to the offer and sale of PepsiCo Common Stock under the PBG 2004 Long Term Incentive Plan, the PBG 2002 Long Term Incentive Plan, the PBG Long Term Incentive Plan, The Pepsi Bottling Group, Inc. 1999 Long Term Incentive Plan and the PBG Stock Incentive Plan;
- (xvii) a registration statement on Form S-3 under the Securities Act of 1933 relating to the offer and sale of PepsiCo Common Stock, Debt Securities, Guarantees of Debt Securities, Warrants, Units and/or such other securities as may be provided for therein, to be filed with the Securities and Exchange Commission on or before November 1, 2014; and
- (xviii) all other applications, reports, registrations, information, documents and instruments filed or required to be filed by PepsiCo with the Securities and Exchange Commission (the "SEC"), including, but not limited to the Annual Reports on Form 10-K, Quarterly Report on Form 10-Q, Current Reports on Form 8-K or any amendment or supplement thereto, any stock exchanges or any governmental official or agency in connection with the listing, registration or approval of PepsiCo Common Stock, PepsiCo debt securities or warrants, other securities or PepsiCo guarantees of its subsidiaries' or third party debt securities or warrants, or the offer and sale thereof, or in order to meet PepsiCo's reporting requirements to such entities or persons;

and to file the same with the SEC, any stock exchanges or any governmental official or agency, with all exhibits thereto and other documents in connection therewith, and each of such attorneys-in-fact shall have the power to act hereunder with or without the other.

\* \* \*

Each of the undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. This Power of Attorney shall not revoke any powers of attorney previously executed by the undersigned. This Power of Attorney shall not be revoked by any subsequent power of attorney that the undersigned may execute, unless such subsequent power of attorney specifically provides that it revokes this Power of Attorney by referring to the date of the undersigned's execution of this Power of Attorney.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF**, each of the undersigned has executed this instrument on the date indicated opposite its, his or her name.

**PEPSICO, INC.**

By:

<u>/s/ Indra K. Nooyi</u> Indra K. Nooyi	Chairman of the Board of Directors and Chief Executive Officer	February 14, 2014
<u>/s/ Hugh F. Johnston</u> Hugh F. Johnston	Executive Vice President and Chief Financial Officer	February 14, 2014
<u>/s/ Marie T. Gallagher</u> Marie T. Gallagher	Senior Vice President and Controller (Principal Accounting Officer)	February 14, 2014
<u>/s/ Shona L. Brown</u> Shona L. Brown	Director	February 14, 2014
<u>/s/ George W. Buckley</u> George W. Buckley	Director	February 14, 2014
<u>/s/ Ian M. Cook</u> Ian M. Cook	Director	February 14, 2014
<u>/s/ Dina Dublon</u> Dina Dublon	Director	February 14, 2014
<u>/s/ Victor J. Dzau</u> Victor J. Dzau	Director	February 14, 2014
<u>/s/ Ray L. Hunt</u> Ray L. Hunt	Director	February 14, 2014
<u>/s/ Alberto Ibargüen</u> Alberto Ibargüen	Director	February 14, 2014
<u>/s/ Sharon Percy Rockefeller</u> Sharon Percy Rockefeller	Director	February 14, 2014
<u>/s/ James J. Schiro</u> James J. Schiro	Director	February 14, 2014
<u>/s/ Lloyd G. Trotter</u> Lloyd G. Trotter	Director	February 14, 2014
<u>/s/ Daniel Vasella</u> Daniel Vasella	Director	February 14, 2014
<u>/s/ Alberto Weisser</u> Alberto Weisser	Director	February 14, 2014

## CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K 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: February 14, 2014

/s/ Indra K. Nooyi

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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 annual report on Form 10-K 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: February 14, 2014

/s/ Hugh F. Johnston

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Hugh F. Johnston

Executive Vice President and  
Chief Financial Officer

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

In connection with the Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 28, 2013 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: February 14, 2014

/s/ Indra K. Nooyi

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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 Annual Report of PepsiCo, Inc. (the "Corporation") on Form 10-K for the fiscal year ended December 28, 2013 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: February 14, 2014

/s/ Hugh F. Johnston

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Hugh F. Johnston

Executive Vice President and  
Chief Financial Officer