UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 25, 2006 (12 weeks)

OR

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

For the transition period from _____________ to _____________

Commission file number 1-1183

PepsiCo, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

Number of shares of Common Stock outstanding as of April 21, 2006: 1,652,489,595

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PEPSICO, INC. AND SUBSIDIARIES

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in millions except per share amounts, unaudited)

	12 Weeks Ended	
	3/25/06	3/19/05
Net Revenue	**$7,205**	$6,585
Cost of sales	**3,179**	2,870
Selling, general and administrative expenses	**2,647**	2,439
Amortization of intangible assets	**31**	29
Operating Profit	**1,348**	1,247
Bottling equity income	**84**	65
Interest expense	**(62)**	(50)
Interest income	**45**	23
Income before income taxes	**1,415**	1,285
Provision for income taxes	**396**	373
Net Income	**$1,019**	$ 912
Net Income Per Common Share		
Basic	**$ 0.61**	$ 0.54
Diluted	**$ 0.60**	$ 0.53
Cash Dividends Declared Per Common Share	**$ 0.26**	$ 0.23

See accompanying Notes to the Condensed Consolidated Financial Statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions, unaudited)

	12 Weeks Ended	
	3/25/06	3/19/05
Operating Activities		
Net income	**$ 1,019**	$ 912
Depreciation and amortization	**286**	282
Stock-based compensation expense	**67**	77
Excess tax benefits from share-based payment arrangements	**(34)**	—
Cash payments for merger-related costs and restructuring charges	**—**	(14)
Pension and retiree medical plan contributions	**(28)**	(48)
Pension and retiree medical plan expenses	**123**	102
Bottling equity income, net of dividends	**(70)**	(51)
Deferred income taxes and other tax charges and credits	**20**	51
Change in accounts and notes receivable	**(347)**	(237)
Change in inventories	**(179)**	(93)
Change in prepaid expenses and other current assets	**(39)**	3
Change in accounts payable and other current liabilities	**(441)**	(522)
Change in income taxes payable	**(140)**	233
Other, net	**9**	54
Net Cash Provided by Operating Activities	**246**	749
Investing Activities		
Snack Ventures Europe (SVE) minority interest acquisition	**—**	(750)
Capital spending	**(289)**	(181)
Sales of property, plant and equipment	**6**	25
Other acquisitions and investments in noncontrolled affiliates	**(275)**	(41)
Cash proceeds from sale of The Pepsi Bottling Group (PBG) stock	**85**	47
Short-term investments, by original maturity		
More than three months—purchases	**—**	(17)
More than three months—maturities	**20**	17
Three months or less, net	**780**	(528)
Net Cash Provided by/(Used for) Investing Activities	**327**	(1,428)
Financing Activities		
Proceeds from issuances of long-term debt	**—**	13
Payments of long-term debt	**(22)**	(3)
Short-term borrowings, by original maturity		
More than three months—proceeds	**10**	37
More than three months—payments	**(204)**	(2)
Three months or less, net	**(497)**	698
Cash dividends paid	**(432)**	(387)
Share repurchases—common	**(660)**	(494)
Share repurchases—preferred	**(2)**	(6)
Proceeds from exercises of stock options	**436**	233
Excess tax benefits from share-based payment arrangements	**34**	—
Net Cash (Used for)/Provided by Financing Activities	**(1,337)**	89
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**4**	(9)
Net Decrease in Cash and Cash Equivalents	**(760)**	(599)
Cash and Cash Equivalents—Beginning of year	**1,716**	1,280
Cash and Cash Equivalents—End of period	**$ 956**	$ 681

See accompanying Notes to the Condensed Consolidated Financial Statements.

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PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	(Unaudited) **3/25/06**	12/31/05
Assets		
Current Assets		
Cash and cash equivalents	**$ 956**	$ 1,716
Short-term investments	**2,373**	3,166
Accounts and notes receivable, less allowance: 3/06—$72, 12/05—$75	**3,634**	3,261
Inventories		
Raw materials	**764**	738
Work-in-process	**159**	112
Finished goods	**958**	843
	1,881	1,693
Prepaid expenses and other current assets	**658**	618
Total Current Assets	**9,502**	10,454
Property, Plant and Equipment	**17,386**	17,145
Accumulated Depreciation	**(8,632)**	(8,464)
	8,754	8,681
Amortizable Intangible Assets, net	**503**	530
Goodwill	**4,100**	4,088
Other Nonamortizable Intangible Assets	**1,098**	1,086
Nonamortizable Intangible Assets	**5,198**	5,174
Investments in Noncontrolled Affiliates	**3,506**	3,485
Other Assets	**3,531**	3,403
Total Assets	**$30,994**	$31,727

Continued on next page.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET (continued)
(in millions except per share amounts)

	(Unaudited) **3/25/06**	12/31/05
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term obligations	**$ 2,214**	$ 2,889
Accounts payable and other current liabilities	**5,587**	5,971
Income taxes payable	**359**	546
Total Current Liabilities	**8,160**	9,406
Long-term Debt Obligations	**2,288**	2,313
Other Liabilities	**4,427**	4,323
Deferred Income Taxes	**1,378**	1,434
Total Liabilities	**16,253**	17,476
Commitments and Contingencies		
Preferred Stock, no par value	**41**	41
Repurchased Preferred Stock	**(112)**	(110)
Common Shareholders' Equity		
Common stock, par value 1 2/3 cents per share: Authorized 3,600 shares, issued 3/06 and 12/05—1,782 shares	**30**	30
Capital in excess of par value	**567**	614
Retained earnings	**21,702**	21,116
Accumulated other comprehensive loss	**(989)**	(1,053)
	21,310	20,707
Less: repurchased common stock, at cost: 3/06 and 12/05—126 shares	**(6,498)**	(6,387)
Total Common Shareholders' Equity	**14,812**	14,320
Total Liabilities and Shareholders' Equity	**$30,994**	$31,727

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in millions, unaudited)

	12 Weeks Ended	
	3/25/06	3/19/05
Net Income	**$1,019**	$912
Other Comprehensive Income		
Currency translation adjustment	**65**	14
Cash flow hedges, net of tax:		
Net derivative gains[(a)]	**4**	12
Reclassification of (gains)/losses to net income	**(6)**	8
Unrealized loss on securities, net of tax	**(3)**	(2)
Other	**4**	1
	64	33
Comprehensive Income	**$1,083**	$945

(a) Net derivative gains for the 12 weeks ended March 25, 2006 include $4 million of net losses on commodity derivatives.

See accompanying Notes to the Condensed Consolidated Financial Statements.

PEPSICO, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Our Divisions

Basis of Presentation

Our Condensed Consolidated Balance Sheet as of March 25, 2006 and the Condensed Consolidated Statements of Income, Cash Flows and Comprehensive Income for the 12 weeks ended March 25, 2006 and March 19, 2005 have not been audited. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the year ended December 31, 2005. In our opinion, these financial statements include all normal and recurring adjustments necessary for a fair presentation. The results for the 12 weeks are not necessarily indicative of the results expected for the year.

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

Bottling equity income includes our share of the net income or loss of our noncontrolled bottling affiliates and any changes in our ownership interests of these affiliates. Bottling equity income includes pre-tax gains on our sale of PBG stock of $50 million and $28 million in the first quarter of 2006 and 2005, respectively.

The following information is unaudited. Tabular dollars are in millions, except per share amounts. All per share amounts reflect common per share amounts, assume dilution unless noted and are based on unrounded amounts. Certain reclassifications were made to prior year amounts to conform to the 2006 presentation. This report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

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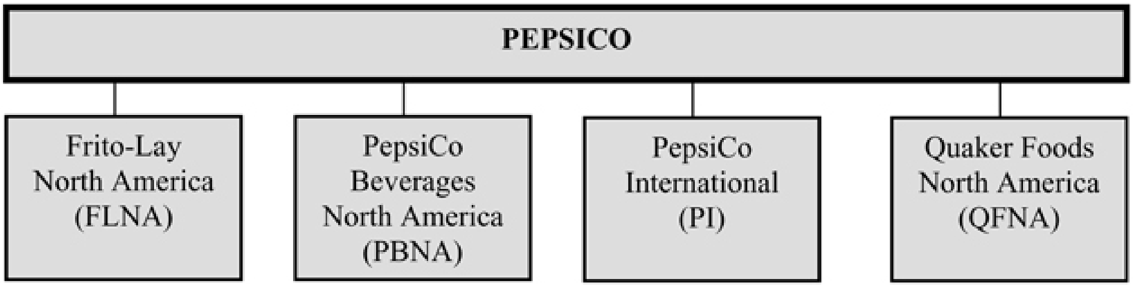
Our Divisions



	Net Revenue 12 Weeks Ended		**Operating Profit** 12 Weeks Ended	
	3/25/06	3/19/05	**3/25/06**	3/19/05
FLNA	**$2,393**	$2,263	**$ 569**	$ 539
PBNA	**1,991**	1,784	**428**	415
PI	**2,378**	2,121	**371**	307
QFNA	**443**	417	**151**	145
Total division	**7,205**	6,585	**1,519**	1,406
Corporate	**—**	—	**(171)**	(159)
	$7,205	$6,585	**$1,348**	$1,247

	Total Assets	
	3/25/06	12/31/05
FLNA	**$ 6,146**	$ 5,948
PBNA	**6,676**	6,316
PI	**10,200**	9,983
QFNA	**994**	989
Total division	**24,016**	23,236
Corporate	**3,817**	5,331
Investments in bottling affiliates	**3,161**	3,160
	$30,994	$31,727

Intangible Assets

	3/25/06	12/31/05
Amortizable intangible assets, net		
Brands	**$1,058**	$1,054
Other identifiable intangibles	**260**	257
	1,318	1,311
Accumulated amortization	**(815)**	(781)
	$ 503	$ 530

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

	Balance 12/31/05	Translation and Other	**Balance 3/25/06**
Frito-Lay North America			
Goodwill	$ 145	$—	**$ 145**
PepsiCo Beverages North America			
Goodwill	2,164	—	**2,164**
Brands	59	—	**59**
	2,223	—	**2,223**
PepsiCo International			
Goodwill	1,604	12	**1,616**
Brands	1,026	12	**1,038**
	2,630	24	**2,654**
Quaker Foods North America			
Goodwill	175	—	**175**
Corporate			
Pension intangible	1	—	**1**
Total goodwill	4,088	12	**4,100**
Total brands	1,085	12	**1,097**
Total pension intangible	1	—	**1**
	$5,174	$ 24	**$5,198**

Stock-Based Compensation

On January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*, under the modified prospective method. Since we had previously accounted for our stock-based compensation plans under the fair value provisions of SFAS 123, our adoption did not significantly impact our financial position or our results of operations. Under SFAS 123R, actual tax benefits recognized in excess of tax benefits previously established upon grant are reported as a financing cash inflow. Prior to adoption, such excess tax benefits were reported as an increase to operating cash flows.

We account for our employee stock options, which include grants under our executive program and broad-based SharePower program, under the fair value method of accounting using a Black-Scholes valuation model to measure stock option expense at the date of grant. 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. The fair value of stock option grants is amortized to expense over the vesting period, generally three years. Executives who are awarded long-term incentives based on their performance are offered the choice of stock options or restricted stock units (RSUs). Executives who elect RSUs receive one RSU for every four stock options that would have otherwise been granted. Senior officers do not have a choice and are granted 50% stock options and 50% RSUs. RSU expense is based on the fair value of PepsiCo stock on the date of grant and is amortized over the vesting period, generally three years. Each RSU is settled in a share of our stock after the vesting period. Vesting of RSU awards for senior officers is contingent upon the achievement of pre-established performance targets. As of March 25, 2006, 37 million shares were available for future stock-based compensation grants.

For the 12 weeks, we recognized stock-based compensation expense of $67 million in 2006 and $77 million in 2005, as well as related income tax benefits recognized in earnings of $19 million and $21 million, respectively. For the 12 weeks, stock-based compensation cost of $1 million in 2006 and $1 million in 2005 was capitalized in connection with our BPT initiative.

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

	3/25/06	3/19/05
Expected life	**6 yrs.**	6 yrs.
Risk free interest rate	**4.5%**	3.8%
Expected volatility[(a)]	**18%**	24%
Expected dividend yield	**1.9%**	1.8%

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

A summary of option activity during the 12 weeks ended 3/25/06 is presented below:

***Our Stock Option Activity*[(a)]**

	Options	Average Price[(b)]	Average Life[(c)]
Outstanding at beginning of year	150,149	$ 42.03	
Granted	11,786	57.50	
Exercised	(11,438)	38.18	
Forfeited/expired	(845)	47.40	
Outstanding at end of quarter	149,652	43.48	5.56
Exercisable at end of quarter	109,702	40.53	4.92

(a) Options are in thousands and include options previously granted under Quaker plans. No additional options or shares may be granted under the Quaker plans.

(b) Weighted-average exercise price.

(c) Weighted-average contractual life remaining.

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A summary of RSU activity during the 12 weeks ended 3/25/06 is presented below:

Our RSU Activity[a]

	RSUs	Average Intrinsic Value[b]	Average Life [c]
Outstanding at beginning of year	5,669	$ 50.70	
Granted	2,576	57.54	
Converted	(62)	49.70	
Forfeited/expired	(159)	50.30	
Outstanding at end of quarter	8,024	52.88	2.04 yrs.

[a] RSUs are in thousands.
[b] Weighted-average intrinsic value at grant date.
[c] Weighted-average contractual life remaining.

Other stock-based compensation data

	Stock Options		RSUs	
	12 Weeks Ended		12 Weeks Ended	
	3/25/06	3/19/05	**3/25/06**	3/19/05
Weighted-average fair value of options granted	**$ 12.76**	$ 13.48		
Total intrinsic value of options/RSUs exercised/converted[a]	**$ 236,070**	$ 139,536	**$ 3,679**	$ 1,230
Total intrinsic value of options/RSUs outstanding[a]	**$2,362,734**	$2,028,080	**$476,137**	$290,654
Total intrinsic value of options exercisable[a]	**$2,060,825**	$1,463,197		

[a] In thousands.

As of March 25, 2006, there was $485 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 1.7 years.

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Pension and Retiree Medical Benefits

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

	12 Weeks Ended					
	Pension				Retiree Medical	
	3/25/06	3/19/05	**3/25/06**	3/19/05	**3/25/06**	3/19/05
	U.S.		International			
Service cost	**$56**	$49	**$12**	$8	**$11**	$9
Interest cost	**73**	68	**15**	14	**17**	18
Expected return on plan assets	**(90)**	(80)	**(18)**	(17)	**—**	—
Amortization of prior service cost/(benefit)	**1**	1	**—**	—	**(3)**	(2)
Amortization of experience loss	**38**	24	**6**	4	**5**	6
Total expense	**$78**	$62	**$15**	$9	**$30**	$31

Net Income Per Common Share

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

	12 Weeks Ended			
	3/25/06		3/19/05	
	Income	**Shares**[(a)]	Income	Shares[(a)]
Net income	**$1,019**		$ 912	
Preferred shares:				
Dividends	**—**		(1)	
Redemption premium	**(2)**		(4)	
Net income available for common shareholders	**$1,017**	**1,656**	$ 907	1,678
Basic net income per common share	**$ 0.61**		$0.54	
Net income available for common shareholders	**$1,017**	**1,656**	$ 907	1,678
Dilutive securities:				
Stock options and RSUs[(b)]	**—**	**37**	—	33
ESOP convertible preferred stock	**2**	**2**	5	2
Diluted	**$1,019**	**1,695**	$ 912	1,713
Diluted net income per common share	**$ 0.60**		$0.53	

(a) Weighted average common shares outstanding.

(b) There were no out-of-the-money options in 2006. Options to purchase 12 million shares in 2005 were not included in the calculation of earnings per share because these options were out-of-the-money. Out-of-the-money options had an average exercise price of $53.77 in 2005.

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Supplemental Cash Flow Information

	12 Weeks Ended	
	3/25/06	3/19/05
Interest paid	**$ 54**	$ 44
Income taxes paid, net of refunds	**$ 517**	$ 86
Acquisitions[a]:		
Fair value of assets acquired	**$ 287**	$ 602
Less: Cash paid and debt assumed	**(275)**	(791)
Add: Minority interest eliminated	**—**	221
Liabilities assumed	**$ 12**	$ 32

(a) In 2005, these amounts include the impact of our first quarter acquisition of General Mills, Inc.'s 40.5% ownership interest in SVE for $750 million.

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

FINANCIAL REVIEW

Our discussion and analysis is an integral part of understanding our financial results. Also refer to Basis of Presentation and Our Divisions in the Notes to the Condensed Consolidated Financial Statements. Tabular dollars are presented 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. Percentage changes are based on unrounded amounts.

Our Critical Accounting Policies

Sales Incentives and Advertising and Marketing Costs

We offer sales incentives through various programs to our customers and to consumers. These incentives are recorded as a reduction of the sales price of our products. Certain sales incentives are recognized at the time of sale while other incentives, such as bottler funding and customer volume rebates, are recognized during the year incurred, generally in proportion to revenue, based on annual targets. Anticipated payments are estimated based on historical experience with similar programs and require management judgment with respect to estimating customer participation and performance levels. Differences between estimated expenses 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 recognized during the year incurred, generally in proportion to revenue.

Income Taxes

In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on our expected annual income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Our estimated annual effective tax rate also reflects our best estimate of the ultimate outcome of tax audits. The IRS audits of our tax returns for the years 1998 through 2002 may be concluded in 2006. Significant or unusual items are separately recognized in the quarter in which they occur.

Stock-Based Compensation

On January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*, under the modified prospective method. Since we had previously accounted for our stock-based compensation plans under the fair value provisions of SFAS 123, our adoption did not significantly impact our financial position or our results of operations. Under SFAS 123R, actual tax benefits recognized in excess of tax benefits previously established upon grant are reported as a financing cash inflow. Prior to adoption, such excess tax benefits were reported as an increase to operating cash flows.

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. 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. The fair value of stock option grants is

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amortized to expense over the vesting period, generally three years. RSU expense is based on the fair value of PepsiCo stock on the date of grant and is amortized over the vesting period, generally three years. Expected volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life.

For our 2006 Black-Scholes assumptions and other stock-based compensation required disclosures, see *Stock-Based Compensation* in the Notes to the Condensed Consolidated Financial Statements.

Our Business Risks

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These "forward-looking statements" are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations. We undertake no obligations to update any forward-looking statement.

Our operations outside of the United States generate over a third of our net revenue. As a result, we are exposed to foreign currency risks, including unforeseen economic changes and political unrest. During the quarter, net favorable foreign currency contributed slightly to net revenue growth, primarily due to increases in the Mexican peso, Brazilian real and Canadian dollar, which were mostly offset by declines in the British pound and the euro. Currency declines which are not offset could adversely impact our future results.

While there is continued pricing pressure on our raw materials and energy costs, we expect to be able to mitigate the impact of these increased costs through our hedging strategies and ongoing productivity initiatives.

Cautionary statements included in Management's Discussion and Analysis and in Item 1A. in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 should be considered when evaluating our trends and future results.

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.

Volume

Since our divisions each use different measures of physical unit volume, a common servings metric is necessary to reflect our consolidated physical unit volume. In 2006, total servings increased 7% for the 12 weeks, with worldwide beverages growing 9% and worldwide snacks growing 4%.

We discuss volume for our beverage businesses on a bottler case sales (BCS) basis in which all beverage volume is converted to an 8 ounce case metric. A portion of our volume is sold by our bottlers, and that portion is based on our bottlers' sales to retailers and independent distributors.

The remainder of our volume is based on our shipments to customers. BCS is reported to us by our bottlers on a monthly basis. Our first quarter beverage volume includes PBNA bottler sales for January, February and March and PI bottler sales for January and February.

Consolidated Results

Total Net Revenue and Operating Profit

	12 Weeks Ended		
	3/25/06	3/19/05	Change
Total net revenue	**$ 7,205**	$ 6,585	9%
Division operating profit	**$ 1,519**	$ 1,406	8%
Corporate unallocated	**(171)**	(159)	7%
Total operating profit	**$ 1,348**	$ 1,247	8%
Division operating profit margin	**21.1%**	21.4%	(0.3)
Impact of Corporate unallocated on total operating profit margin	**(2.4)**	(2.4)	
Total operating profit margin	**18.7%**	18.9%*	(0.2)

* Amounts do not sum due to rounding.

Net revenue increased 9% primarily reflecting higher volume and positive effective net pricing across all divisions. The volume gains contributed almost 6 percentage points to net revenue growth and the effective net pricing contributed 3 percentage points. The impact of acquisitions contributed almost 1 percentage point to net revenue growth.

Total operating profit increased 8%, while margin decreased 0.2 percentage points. The operating profit performance reflects leverage from the revenue growth, as well as the impact of higher raw material and energy costs, and increased selling, general and administrative expenses.

Corporate unallocated expenses increased 7%. This increase primarily reflects higher employee-related costs which contributed 9 percentage points to the increase, net losses from certain mark-to-market derivatives which contributed 6 percentage points, and higher costs associated with our BPT initiative which contributed 4 percentage points. These increases were partially offset by the absence of foundation contributions made in the prior year which reduced corporate unallocated expenses by 6 percentage points. In 2006, corporate unallocated expenses also reflect a gain of $11 million related to the revaluation of an asset held for sale. Corporate departmental expenses were flat.

Division operating profit and division operating profit margin are not measures defined by generally accepted accounting principles (GAAP). However, we believe investors should consider these measures as they are consistent with how management evaluates our operational results and trends.

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Other Consolidated Results

	12 Weeks Ended		
	3/25/06	3/19/05	Change
Bottling equity income	**$ 84**	$ 65	30%
Interest expense, net	**$ (17)**	$ (27)	(38)%
Tax rate	**28.0%**	29.0%	
Net income	**$1,019**	$ 912	12%
Net income per common share—diluted	**$ 0.60**	$ 0.53	13%

Bottling equity income increased 30% primarily reflecting a $50 million pre-tax gain on our sale of PBG stock in the quarter, which compared favorably to a $28 million pre-tax gain in the prior year.

Net interest expense decreased 38% reflecting the impact of higher interest rates on investments and gains in the market value of investments used to economically hedge a portion of our deferred compensation liability. This decrease was partially offset by the impact of higher interest rates on debt.

The tax rate decreased 1.0 percentage point compared to prior year primarily reflecting changes in our concentrate sourcing around the world, which is taxed at lower rates.

Net income increased 12% and the related net income per share increased 13%. These increases primarily reflect our solid operating profit growth, the increased gains on our sale of PBG stock and the decrease in our effective tax rate. Net income per share was also favorably impacted by our share repurchases.

Results of Operations—Division Review

The results and discussions below are based on how our Chief Executive Officer monitors the performance of our divisions. For additional information on our divisions, see *Our Divisions* in the Notes to the Condensed Consolidated Financial Statements.

Net Revenue

	FLNA	PBNA	PI	QFNA	Total
Q1, 2006	**$2,393**	**$1,991**	**$2,378**	**$ 443**	**$7,205**
Q1, 2005	$2,263	$1,784	$2,121	$ 417	$6,585
% Impact of:					
Volume	2%	8%[a]	8%[a]	2%	6%
Effective net pricing	3	3	2	4	3
Foreign exchange	0.5	—	—	1	—
Acquisitions/divestitures	—	—	2	—	1
% Change[b]	*6%*	*12%*	*12%*	*6%*	*9%*

[a] For beverages sold to our bottlers, net revenue volume growth is based on our concentrate shipments and equivalents (CSE).
[b] Amounts may not sum due to rounding.

Frito-Lay North America

	12 Weeks Ended		
	3/25/06	3/19/05	% Change
Net revenue	**$2,393**	$2,263	6
Operating profit	**$ 569**	$ 539	6

Net revenue grew 6% reflecting volume growth of 2% and positive effective net pricing due to salty snack pricing actions and favorable mix. Pound volume grew primarily due to double-digit growth in Chewy granola bars, Sun Chips and Quakes rice cakes, mid single-digit growth in Dips and double-digit growth in Multipack. These volume gains were partially offset by a high single-digit decline in trademark Doritos and a low single-digit decline in trademark Lay’s potato chips. Overall, salty snacks revenue grew 5% with volume growth of 1%, and convenience foods products revenue grew 13% with volume growth of 11%. The shift in the New Year’s and Easter holidays negatively impacted FLNA volume by approximately 1 percentage point.

Operating profit grew 6% reflecting the revenue growth, partially offset by higher selling and distribution costs, reflecting increased labor and benefit charges, and higher commodity costs, primarily cooking oil.

Smart Spot eligible products represented approximately 15% of net revenue. These products experienced double-digit revenue growth, while the balance of the portfolio had mid single-digit revenue growth.

PepsiCo Beverages North America

	12 Weeks Ended		%
	3/25/06	3/19/05	Change
Net revenue	**$1,991**	$1,784	12
Operating profit	**$ 428**	$ 415	3

Net revenue grew 12% and BCS volume grew 5%. The volume increase was driven by an 18% increase in non-carbonated beverages, partially offset by a 1% decline in CSDs. The non-carbonated portfolio performance was driven by double-digit growth in Gatorade, trademark Aquafina, Lipton ready-to-drink teas and Propel. Tropicana Pure Premium experienced a low single-digit decline. The decline in CSDs reflects a low single-digit decline in trademark Pepsi, partially offset by a low single-digit increase in Mountain Dew and a slight increase in trademark Sierra Mist. Across the brands, both regular and diet CSDs experienced low single-digit declines. BCS lagged CSE volume growth due to the timing of shipments. Additionally, BCS was negatively impacted by the timing of the Easter holiday which reduced BCS growth by 0.5 percentage points.

Net revenue also benefited from favorable mix, reflecting the strength of non-carbonated beverages, which contributed 3 percentage points to growth, and price increases in 2006, primarily on concentrate and fountain, which contributed 2 percentage points. These gains were partially offset by increased trade spending in the current year.

Operating profit increased 3%, primarily reflecting net revenue growth. This increase was partially offset by higher raw material and energy costs, primarily for Tropicana and Gatorade, as well as higher selling, general and administrative expenses. Operating profit growth was also negatively impacted by the favorable resolution in 2005 of estimated marketing accruals which reduced operating profit growth in the current year by 4 percentage points.

Smart Spot eligible products represented approximately 70% of net revenue. These products experienced double-digit revenue growth, while the balance of the portfolio grew in the mid single-digit range.

PepsiCo International

	12 Weeks Ended		%
	3/25/06	3/19/05	Change
Net revenue	**$2,378**	$2,121	12
Operating profit	**$ 371**	$307	21

International snacks volume grew 7%, reflecting growth of 15% in the Europe, Middle East & Africa region, 18% in the Asia Pacific region and 1% in the Latin America region. The acquisition of a business in Australia increased Asia region volume by 2 percentage points. The acquisition of a business in Poland in early 2006, increased the Europe, Middle East & Africa region volume growth by 3 percentage points. Cumulatively, acquisitions contributed 1 percentage point to the reported total PepsiCo International snack volume growth rate. The overall gains reflected high single-digit growth at Walkers in the United Kingdom, double-digit growth in Turkey, Russia, and Australia, and low single-digit growth at Sabritas in Mexico, partially offset by a low single-digit decline at Gamesa in Mexico. The decline at Gamesa is due principally to marketplace pressures and a mix shift to higher-end products.

Beverage volume grew 16%, reflecting growth of 22% in the Asia Pacific region, 14% in the Europe, Middle East & Africa region and 12% in the Latin America region. Acquisitions contributed 2 percentage points to the Europe, Middle East & Africa region volume growth rate and 1 percentage point to the reported total PepsiCo International beverage volume growth rate. Broad-based increases were led by double-digit growth in China, the Middle East, Argentina, India and Venezuela, and mid single-digit growth in Mexico. Carbonated soft drinks and non-carbonated beverages both grew at a double-digit rate.

Net revenue grew 12%, primarily as a result of the broad-based volume growth and favorable effective net pricing. Foreign currency had no significant impact on the growth rate. Acquisitions contributed 2 percentage points of growth.

Operating profit grew 21% driven largely by the broad-based volume growth and favorable effective net pricing, slightly offset by increased raw material costs. Foreign currency contributed 2 percentage points of growth based on the favorable Mexican peso and Brazilian real, partially offset by the unfavorable British pound and euro. Acquisitions had a slightly favorable impact on the growth rate.

Quaker Foods North America

	12 Weeks Ended		%
	3/25/06	3/19/05	Change
Net revenue	**$443**	$417	6
Operating profit	**$151**	$145	4

Net revenue increased 6% and volume increased 2%. The volume increase reflects double-digit growth in Life cereal, low single-digit growth in Oatmeal and high single-digit growth in Rice-A-Roni. This increase was partially offset by a low single-digit decline in Cap’n Crunch cereal. Higher effective net pricing contributed almost 4 percentage points of net revenue growth reflecting favorable product mix and lower trade spending accruals driven by timing. Favorable Canadian exchange rates contributed almost 1 percentage point to net revenue growth.

Operating profit increased 4% primarily reflecting the net revenue growth. This growth was partially offset by increased cost of sales and higher general and administrative costs.

Smart Spot eligible products represented approximately half of net revenue and had low single-digit revenue growth. The balance of the portfolio experienced high single-digit revenue growth.

OUR LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

In the first quarter of 2006 and 2005, our operations provided $246 million and $749 million in cash, respectively, primarily reflecting our solid business results in both periods. In 2006, our operating cash flow reflects a tax payment of $420 million related to our repatriation of international cash in 2005 in connection with the American Jobs Creation Act. In addition, seasonality contributed to the use of cash in operating working capital accounts in both periods.

Investing Activities

During the quarter, our investing activities provided $327 million reflecting sales of short-term investments of $800 million and proceeds from our sale of PBG stock of $85 million, partially offset by acquisitions of $275 million, primarily the Stacy's Pita Chip Company acquisition, as well as capital spending of $289 million. Capital spending reflects our North American Gatorade business and increased investment in support of our ongoing BPT initiative, as well as increased investments in manufacturing capacity to support growth in our China snack and beverage operations.

We anticipate net capital spending of approximately $2.2 billion in 2006, which is above our long-term target of approximately 5% of net revenue.

Financing Activities

During the quarter, we used $1.3 billion, reflecting net repayments of short-term borrowings of $691 million, common share repurchases of $660 million and dividend payments of $432 million, partially offset by stock option proceeds of $436 million.

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. 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. The table below reconciles net cash provided by operating activities as reflected in our Condensed Consolidated Statement of Cash Flows to our management operating cash flow.

	12 Weeks Ended	
	3/25/06	3/19/05
Net cash provided by operating activities	**$246**	$749
Capital spending	**(289)**	(181)
Sales of property, plant and equipment	**6**	25
Management operating cash flow	**$(37)**	$593

In the first quarter of 2006, management operating cash flow reflects our tax payment of $420 million related to our repatriation of international cash in 2005 in connection with the AJCA. During 2006, we expect to return approximately all of our management operating cash flow to our shareholders through dividends and share repurchases. However, see " Risk Factors" in Item 1A. and " Our Business Risks" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for certain factors that may impact our operating cash flows.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PepsiCo, Inc.

We have reviewed the accompanying Condensed Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of March 25, 2006, and the related Condensed Consolidated Statements of Income, Comprehensive Income and Cash Flows for the twelve weeks ended March 25, 2006 and March 19, 2005. These interim condensed consolidated financial statements are the responsibility of PepsiCo, Inc.'s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of PepsiCo, Inc. and Subsidiaries as of December 31, 2005, and the related Consolidated Statements of Income, Common Shareholders' Equity and Cash Flows for the year then ended not presented herein; and in our report dated February 24, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
April 26, 2006

ITEM 4. Controls and Procedures

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

In addition, there were no changes in our internal control over financial reporting during our first fiscal quarter of 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

We are party to a variety of legal proceedings arising in the normal course of business, including the matters discussed below. While the results of proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on our consolidated financial statements, results of operations or cash flows.

On April 30, 2004, we announced that Frito-Lay and Pepsi-Cola Company received notification from the Securities and Exchange Commission (the “SEC”) indicating that the SEC staff was proposing to recommend that the SEC bring a civil action alleging that a non-executive employee at Pepsi-Cola and another at Frito-Lay signed documents in early 2001 prepared by Kmart acknowledging payments in the amount of $3 million from Pepsi-Cola and $2.8 million from Frito-Lay. Kmart allegedly used these documents to prematurely recognize the $3 million and $2.8 million in revenue. Frito-Lay and Pepsi-Cola have cooperated fully with this investigation and provided written responses to the SEC staff notices setting forth the factual and legal bases for their belief that no enforcement actions should be brought against Frito-Lay or Pepsi-Cola.

Based on an internal review of the Kmart matters, no officers of PepsiCo, Pepsi-Cola or Frito-Lay are involved. Neither of these matters involves any allegations regarding PepsiCo’s accounting for its transactions with Kmart or PepsiCo’s financial statements.

ITEM 1A. Risk Factors

There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

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

A summary of our common stock repurchases (in millions, except average price per share) during the first quarter under the $7 billion repurchase program authorized by our Board of Directors and publicly announced on March 29, 2004, and expiring on March 31, 2007, is set forth in the following table. All such shares of common stock were repurchased pursuant to open market transactions.

Issuer Purchases of Common Stock

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that may Yet Be Purchased Under the Plans or Programs
12/31/05				$1,875
1/1/06—1/28/06	3.7	$58.52	3.7	(217)
				1,658
1/29/06—2/25/06	3.1	58.08	3.1	(177)
				1,481
2/26/06—3/25/06	5.1	59.68	5.1	(306)
	11.9	$58.91	11.9	$1,175

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

Issuer Purchases of Convertible Preferred Stock

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that may Yet Be Purchased Under the Plans or Programs
12/31/05				
1/1/06—1/28/06	1,000	$284.46	N/A	N/A
1/29/06—2/25/06	3,900	292.94	N/A	N/A
2/26/06—3/25/06	2,600	298.06	N/A	N/A
	7,500	$293.58	N/A	N/A

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ITEM 6. Exhibits

See Index to Exhibits on page 30.

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

	PepsiCo, Inc.
	(Registrant)
Date: April 26, 2006	/S/ PETER A. BRIDGMAN
	Peter A. Bridgman Senior Vice President and Controller
Date: April 26, 2006	/S/ ROBERT E. COX
	Robert E. Cox Vice President, Deputy General Counsel and Assistant Secretary (Duly Authorized Officer)

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INDEX TO EXHIBITS
ITEM 6 (a)

EXHIBITS

Exhibit 3.2	By-laws of PepsiCo, Inc. as amended to March 17, 2006
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 15	Letter re: Unaudited Interim Financial Information
Exhibit 31	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

PepsiCo, Inc.

By-Laws

As amended to March 17, 2006

Article I

Offices

Section 1.1 *Principal Office*. The principal office of PepsiCo, Inc. (hereinafter called the "Corporation") may be located at such place as the Board of Directors of the Corporation (hereinafter called the "Board") may fix from time to time.

Section 1.2 *Registered Office*. The registered office of the Corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

Section 1.3 *Other Offices*. The Corporation may also have an office or offices at such other place or places, either within or without the State of North Carolina, as the Board may from time to time by resolution determine or as may be appropriate to the business of the Corporation.

Article II

Meetings of Shareholders

Section 2.1 *Place of Meetings*. All meetings of the shareholders of the Corporation shall be held at the principal office of the Corporation in the State of North Carolina, or at such other place within or without the State of North Carolina as may from time to time be fixed by the Chairman of the Board or the Board and designated in the notice of the meeting.

Section 2.2 *Annual Meetings*. The annual meeting of the shareholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the first Wednesday of May in each year (or, if that day shall be a legal holiday under the laws of the State where such meeting is to be held, then on the next succeeding business day). No business shall be transacted at an annual meeting of shareholders, except such business as shall be (a) specified in the notice of meeting given as provided in Section 2.5, (b) otherwise brought before the meeting by or at the direction of the Board, or (c) otherwise brought before the meeting by a shareholder of record entitled to vote at the meeting, in compliance with the procedure set forth in this Section 2.2. For nominations or other business to be brought before an annual meeting by a shareholder pursuant to (c) above, the shareholder must have given written notice thereof to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to, or mailed to and received at, the principal office of the Corporation no less than ninety (90) nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date, notice by the shareholder must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such shareholder notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder; and (C) the name and address of such shareholder as it appears on the Corporation’s books, and the number of shares of the Corporation’s stock which are owned by such shareholder. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the provisions set forth in this Section 2.2. If the chairman of the annual meeting determines that any business was not properly brought before the meeting in accordance with provisions prescribed by these By-Laws, he shall so declare at the meeting, and to the extent permitted by law any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.2 regarding advance notice of shareholder proposals, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.2. Nothing in this Section 2.2 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.3 *Substitute Annual Meeting*. If the annual meeting shall not be held on the day designated by these By-Laws, a substitute annual meeting may be called in accordance with the provisions of Section 2.4. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 2.4 *Special Meetings*. A special meeting of the shareholders of the Corporation may be called at any time by the Chairman of the Board or by resolution of the Board, and shall be called by the Secretary upon the written request of the shareholders owning a majority of shares of the common stock of the Corporation outstanding and entitled to vote at such meeting. Such special meeting shall be held at such time and at such place within or without the State of North Carolina as may be fixed by the Chairman of the Board, in the case of meetings called by the Chairman of the Board, or by resolution of the Board, in the case of meetings called by the Board; and any meeting called at the request of the shareholders pursuant hereto shall be held at the principal office of the Corporation within ninety (90) days from the receipt by the Secretary of such request. Any request for a special meeting of the shareholders shall set forth: (A) a statement of the specific proposal to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of the shareholders requesting the meeting; (B) the name and address of each such shareholder as it appears on the Corporation’s books; and (C) the number of shares of the Corporation’s stock which are owned by each such shareholder.

Section 2.5 *Notice of Meetings*. Notice of each meeting of the shareholders of the Corporation, whether annual or special, shall be given at least ten (10) but not more than sixty (60) days before the day on which the meeting is to be held to each shareholder entitled to vote thereat, by mailing a written or printed notice thereof, postage prepaid, addressed to him at his address as it appears on the stock ledger of the Corporation, provided, however, that notice is not required to be given to a shareholder if (i) notice of two consecutive annual meetings, and all notices of meetings during the period between those two consecutive annual meetings, have been sent to the shareholder at the shareholder’s address as shown on the stock ledger of the Corporation and have been returned undeliverable; or (ii) all, but not less than two, payments of dividends on securities during a 12-month period, or two consecutive payments of dividends on securities during a period of more than 12 months, have been sent to the shareholder at the shareholder’s address as shown on the stock ledger of the Corporation and have been returned undeliverable. If any shareholder delivers to the Corporation a written notice setting forth the shareholder’s current address, the requirement that notice be given to the shareholder shall be reinstated. In the case of a special meeting, the notice of meeting shall include a description of the purpose or purposes for which the meeting is called; but, in the case of an annual or substitute annual meeting, the notice of meeting need not include a description of the purpose or purposes for which the meeting is called unless such a description is required by the provision of the North Carolina Business Corporation Act. Except as otherwise prescribed by statute, notice of any adjourned meeting of shareholders need not be given.

Section 2.6 *Voting, Inspectors of Election.* All shares of one or more classes or series that under the Articles of Incorporation or the North Carolina Business Corporation Act are entitled to vote and be counted together collectively on a matter at a meeting of shareholders constitute a voting group within the meaning of the North Carolina Business Corporation Act. All shares entitled by the Articles of Incorporation or the North Carolina Business Corporation Act to vote generally on a matter are for that purpose a single voting group. Classes or series of shares shall not be entitled to vote separately by voting group unless expressly authorized by the Articles of Incorporation or specifically required by law. At any meeting of the shareholders of the Corporation, each shareholder entitled to vote may vote in person or by proxy provided that no proxy shall be voted after eleven (11) months from its date unless said proxy provides for a longer period. Unless otherwise provided by the Articles of Incorporation or By-laws, action on a matter by a voting group for which a quorum is present is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action. The vote for the election of directors, other matters expressly prescribed by statute, and, upon the direction of the presiding officer of the meeting, the vote on any other question before the meeting, shall be by ballot. At all meetings of shareholders, the polls shall be opened and closed, the proxies and ballots shall be received, taken in charge and examined, and all questions concerning the qualifications of voters, the validity of proxies and the acceptance or rejection of proxies and of votes shall be decided by three (3) inspectors of election. Such inspectors of election, together with one alternate, to serve in the event of death, inability or refusal by any of said inspectors of election to serve at the meeting, none of whom need be a shareholder of the Corporation, shall be appointed by the Board, or, if no such appointment or appointments shall have been made, then by the presiding officer at the meeting. If, for any reason, any inspector of election so appointed shall fail to attend, or refuse or be unable to serve, a substitute shall be appointed to serve as inspector of election, in his place or stead, by the presiding officer at the meeting. No director or candidate for the office of director shall be appointed as an inspector. Each inspector shall take and subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. After the balloting, the inspectors shall make a certificate of the result of the vote taken.

Section 2.7 *Quorum, Presiding Officer*. Except as otherwise prescribed by statute, the Articles of Incorporation or in a By-Law approved by the shareholders, at any meeting of the shareholders of the Corporation, shares entitled to vote as a separate voting group may take action on a matter at the meeting only if a quorum of that voting group exists. The presence in person or by proxy of the holders record of a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. In the absence of a quorum at such meeting or any adjournment or adjournments thereof, the holders of record of a majority of such shares so present in person or by proxy and entitled to vote thereat may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Meetings of the shareholders shall be presided over by the Chairman of the Board, or, if the Chairman is not present, by another officer or director who shall be designated to serve in such event by the Board. The Secretary of the Corporation, or an Assistant Secretary designated by the officer presiding at the meeting, shall act as Secretary of the meeting.

Section 2.8 *Lists of Shareholders*. It shall be the duty of the officer of the Corporation who shall have charge of the stock ledger of the Corporation, either directly or through another officer designated by him or through a transfer agent or transfer clerk appointed by the Board, to prepare and make a complete list of shareholders entitled to notice of a shareholders' meeting, arranged in alphabetical order by voting group, and showing the address of and number of shares held by each shareholder. Such list shall be open to the examination of any shareholder at the place where said election is to be held beginning two (2) business days after notice of the meeting is given for which the list was prepared, and shall be produced and kept at the time and place of election, during the whole time thereof, subject to the inspection of any shareholder who may be present.

Article III

Board of Directors

Section 3.1 *Powers, Number, Term, Election*. The property, business and affairs of the Corporation shall be managed by the Board. The Board shall consist of fifteen (15) directors, but the number of directors may be increased, and may be decreased to any number not less than three (3), by resolution adopted by three-fourths of the whole

Board; provided, however, that the number of directors which shall constitute the whole Board shall not be reduced to a number less than the number of directors then in office, unless such reduction shall become effective only at and after the next ensuing meeting of shareholders for the election of directors, or upon the resignation of an incumbent director. Each director shall hold office from the time of his election and qualification until the annual meeting of shareholders next succeeding his election and until his successor shall have been duly elected and shall have qualified, or until his death, resignation or removal. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. A decrease in the number of directors does not shorten an incumbent director's term. No director need be a shareholder. Except as provided in Section 6.4, the directors shall be elected at the annual meeting of shareholders. Those persons who receive the highest number of votes at a meeting at which a quorum is present shall be deemed to have been elected. Only persons who are nominated in accordance with the provisions set forth in these By-Laws shall be eligible to be elected as directors at an annual or special meeting of shareholders called for that purpose. Nomination for election to the Board shall be made by or at the direction of the Board or a nominating committee appointed by the Board. Nomination for election of any person to the Board may also be made by a shareholder at any annual meeting, in accordance with Section 2.2, and at a special meeting of shareholders called for that purpose, if made by the close of business on the seventh day following the date on which notice of such special meeting is first given to shareholders and otherwise made in accordance with Section 2.2.

Section 3.2 *Place of Meetings*. The Board may hold its meetings at such place or places within or without the State of North Carolina as it may from time to time by resolution determine, or as shall be specified or fixed in the respective notices or waivers of notice thereof. Any regular or special meeting may be held by conference telephone or similar communications equipment so long as all persons participating in such meeting can hear one another, and participation in such a telephonic meeting shall constitute presence in person.

Section 3.3 *First Meeting*. After each annual election of directors, on the same day and at the place where such election is held, the newly elected Board shall meet for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board, or in a waiver of notice thereof signed by all the directors.

Section 3.4 *Regular Meetings*. Regular meetings of the Board may be held at such time and place and in such manner as the Board may from time to time by resolution determine. Except as otherwise expressly prescribed by statute, the Articles of Incorporation or these By-Laws, notice of regular meetings need not be given.

Section 3.5 *Special Meetings*. Special meetings of the Board shall be held whenever called by the Chairman of the Board, or by the Secretary upon the written request filed with the Secretary by any four (4) directors. Notice of the time, place and manner of each such special meeting shall be mailed to each director, at his residence or usual place of business, not later than the second day before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph or other electronic transmission, or shall be delivered personally or by telephone, not later than six o'clock in the afternoon of the day before the day on which such meeting is to be held. Except as otherwise prescribed by statute, the Articles of Incorporation or these By-Laws, and except in the case of a special meeting of the Board called for the purpose of removing an officer or officers of the Corporation or the filling of a vacancy or vacancies in the Board or of amending the By-Laws, notice or waivers of notice of any meeting of the Board need not set forth the purpose or purposes of the meeting.

Section 3.6 *Quorum*. Except as otherwise prescribed by statute or by these By-Laws, the presence of a majority of the full Board shall constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at a meeting at which a quorum shall be present shall be the act of the Board. Any meeting of the Board may be adjourned by a majority vote of the directors present at such meeting. In the absence of a quorum, the Chairman of the Board or a majority of the directors present may adjourn such meeting until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a board and the individual directors shall have no power as such.

Section 3.7 *Indemnification*. Unless the Board of Directors shall determine otherwise, the Corporation shall indemnify, to the full extent permitted by law, any person who was or is, or who is threatened to be made, a party to an action, suit or proceeding (and any appeal therein), whether civil, criminal, administrative, investigative or arbitrative, by reason of the fact that he, his testator or intestate, is or was a director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Such indemnification may, in the discretion of the Board, include advances of a director's, officer's or employee's expenses prior to final disposition of such action, suit or proceeding. The right of indemnification provided for in this Section 3.7 shall not exclude any rights to which such persons may otherwise be entitled by contract or as a matter of law. The Board shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this By-Law, including, without limitation, making a determination that indemnification is permissible in the circumstances and a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him. The Board may appoint a committee or special counsel to make such determination and evaluation.

Section 3.8 *Presumption of Assent*. A director who is present at a meeting of the Board or a committee of the Board when corporate action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissention or abstention with the presiding officer of the meeting before its adjournment or with the corporation immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 3.9 *Written Consents*. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if, before or after such action, unrevoked written consents thereto are signed by all members of the Board or of such committee, as the case may be, and such written consents are filed with the minutes of proceedings of the Board or committee. Action taken under this section is effective when one or more unrevoked consents signed by all of the directors are delivered to the Corporation, unless the consents specify a different effective date. A director's consent to action may be revoked in a writing signed by the director and delivered to the Corporation prior to the action becoming effective.

Article IV

Committees

Section 4.1 *Designation, Vacancies, etc.* The Board may from time to time by resolution create committees of directors with such functions, duties and powers as the Board shall by resolution prescribe. The creation of a committee of the Board and appointment of members to it must be approved by the greater of (a) a majority of the number of directors in office when the action is taken or (b) the number of directors required to take action pursuant to Section 3.6. Each committee may have one or more members, except any executive committee shall have three or more members, as provided in the Articles of Incorporation. A majority of all the members of any such committee may determine its actions and rules or procedure, and fix the time, place and manner of its meetings, unless the Board shall otherwise provide. The Board shall have power to change the members of any such committee at any time, to fill vacancies, and to discharge any such committee, either with or without cause, at any time.

Article V

Officers

Section 5.1 *Principal Officers*. The principal officers of the Corporation shall be a Chairman of the Board of Directors, who shall be chosen from among the directors, a President, one or more Vice Presidents, a Secretary, a Treasurer, and a Controller. The Corporation may also have a Vice Chairman, who shall have such powers and duties as the Board shall designate from time to time. Any person other than the President may hold any two such offices (as provided in the Articles of Incorporation), but no officer may act in more than one capacity where action of two or more officers is required. The Board may require any such officer to give security for the faithful performance of his duties.

Section 5.2 *Election, Term of Office, Qualification*. The principal officers of the Corporation shall be elected annually by the Board and each shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign, or until he shall have been removed in the manner hereinafter provided.

Section 5.3 *Chairman of the Board*. The Chairman of the Board of Directors as shall be determined by the Board of Directors, shall be chief executive officer of the Corporation and, as such, shall have supervision of its policies, business, and affairs, and such other powers and duties as are commonly incident to the office of chief executive officer. The Chairman of the Board of Directors shall preside at the meetings of the Board and may call meetings of the Board and of any committee thereof, whenever he deems it necessary, and he shall call to order and preside at all meetings of the shareholders of the Corporation. In addition, he shall have such other powers and duties as the Board shall designate from time to time. The Chairman of the Board of Directors shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation.

Section 5.4 *Chief Executive Officer.* The Chief Executive Officer of the Corporation shall have supervision of its policies, business, and affairs, and such other powers and duties as are commonly incident to the office of chief executive officer.

Section 5.5 *President*. The President shall have such powers and duties as the Chairman of the Board shall designate from time to time. The President shall have power to sign all certificates of stock, bonds, deeds and contracts of the Corporation.

Section 5.6 *Vice Presidents*. Each Vice President shall have such powers and perform such duties as the Board or the Chairman of the Board may from time to time prescribe. The Board may elect or designate one or more of the Vice Presidents as Executive Vice Presidents, Senior Vice Presidents or with such other title as the Board may deem appropriate.

Section 5.7 *The Treasurer*. The Treasurer shall keep, deposit, invest and disburse the funds and securities of the Corporation, shall keep full and accurate accounts of the receipts and disbursements of the Corporation, shall maintain insurance coverage on the Corporation's assets, and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the Chairman of the Board, the Chief Executive Officer or the Board.

Section 5.8 *The Secretary*. The Secretary shall act as secretary of, and keep the minutes of, all meetings of the Board and of the shareholders, shall be custodian of the seal of the Corporation and shall affix and attest the seal to all documents the execution of which on behalf of the Corporation under its seal shall have been specifically or generally authorized by the Board, and, in general, shall perform all the duties incident to the office of Secretary and such other duties as may from time to time be assigned by the Chairman of the Board, the Chief Executive Officer or the Board.

Section 5.9 *The Controller*. The Controller shall be the chief accounting officer of the Corporation, shall have charge of its accounting department and shall keep or cause to be kept full and accurate records of the assets, liabilities, business and transactions of the Corporation.

Section 5.10 *Additional Officers*. The Board may elect or appoint such additional officers as it may deem necessary or advisable, and may delegate the power to appoint such additional officers to any committee or principal officer. Such additional officers shall have such powers and duties and shall hold office for such terms as may be determined by the Board or such committee or officer.

Section 5.11 *Salaries*. The Salaries of the officers of the Corporation shall be fixed from time to time in the manner prescribed by the Board.

Article VI

Removal, Resignations, Vacancies and Salaries

Section 6.1 *Removal of Directors*. Any director may be removed at any time, either with or without cause, by a vote of the shareholders entitled to vote at a special meeting of the shareholders called for that purpose, if the number of votes cast to remove such director exceeds the number of votes cast not to remove him, and the vacancy in the Board caused by any such removal may be filled by the shareholders at such meeting and, if not filled thereat, the vacancy caused by such removal may be filled by the directors as provided in Section 6.4 hereof.

Section 6.2 *Removal of Officers*. Any officer of the Corporation elected or appointed by the Board, or appointed by any committee or principal officer of the Corporation pursuant to authority delegated by the Board, may be removed at any time, either with or without cause, by resolution adopted by a majority of the whole Board at a regular meeting of the Board or at a special meeting thereof called for such purpose or by the appointing committee or appointing officer or by any other officers authorized by the Board of Directors.

Section 6.3 *Resignation*. Any director or officer of the Corporation may at any time resign by giving written notice to the Board, the Chairman of the Board, the Chief Executive Officer, or the Secretary. Any such resignation shall take effect at the time specified therein or, if no time shall be specified therein, at the time of the receipt thereof, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.4 *Vacancies*. Any vacancy in the Board caused by death, resignation, disqualification, an increase in the number of directors, or any other cause, may be filled by the majority vote of the remaining directors, though less than a quorum at any regular meeting of the Board or any special meeting thereof called for the purpose, or by the shareholders of the Corporation at the next annual meeting or at any special meeting called for the purpose, and the directors so chosen shall hold office, subject to the provisions of these By-Laws, until the next annual meeting of shareholders for the election of directors and until his successor shall be duly elected and shall qualify. Any vacancy in any office, caused by death, resignation, removal, disqualification or any other cause, shall be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular election or appointment to such office.

Section 6.5 *Compensation*. Each director who shall not also be an executive officer of the Corporation or any of its subsidiary companies and receiving a regular salary for his services, in consideration of his serving as a director, shall be entitled to receive from the Corporation such fees for serving as a director as the Board shall from time to time determine, and each such director, who shall serve as a member of any committee of the Board, in consideration of his serving as a member of such committee, shall be entitled to such amount per annum or such fees for attendance at committee meetings as the Board shall from time to time determine. Nothing contained in this Section shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving compensation therefor.

Article VII

Contracts, Loans, Checks, Drafts, Deposits, Etc.

Section 7.1 *Contracts and Loans*. Except as authorized pursuant to a resolution of the Board or these By-Laws, no officer, agent or employee of the Corporation shall have any power or authority to bind the Corporation by any contract or engagement, to effect any loan on its behalf, to issue any negotiable paper in its name, to pledge its credit, to render it pecuniarily liable for any purpose or for any amount, or to pledge, hypothecate or transfer any securities or other property of the Corporation as security for any loans or advances.

Section 7.2 *Checks, Drafts, etc*. All checks, drafts, and other instruments or orders for the payment of monies out of the funds of the Corporation, and all notes or other evidences of indebtedness, bills of lading, warehouse receipts and insurance certificates of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined pursuant to a resolution of the Board. All checks, drafts and other instruments or orders for the payment of monies to or upon the order of the Corporation may be endorsed for deposit in such manner as shall be determined pursuant to a resolution of the Board.

Section 7.3 *Proxies*. Unless otherwise provided by resolution of the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or any Vice President or Secretary or Assistant Secretary designated by the Board, may from time to time appoint an attorney or attorneys or agent or agents of the Corporation to cast, in the name and on behalf of the Corporation, the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

Articles VIII

Shares, Dividends, Etc.

Section 8.1 *Certificates*. Certificates for shares of the common stock of the Corporation shall be in such form as shall be approved by the Board. Each such certificate shall be signed in the name of the Corporation by the Chairman of the Board, the President, or a

Vice President, and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation; provided, however, that, where such certificate is signed (a) by a transfer agent or an assistant transfer agent or (b) by a transfer clerk acting on behalf of the Corporation, and a registrar, the signature of any such Chairman of the Board, Chief Executive Officer, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be a facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall be deemed to have been adopted by the Corporation and to have been issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures were used thereon had not ceased to be such officer or officers of the Corporation. Except as otherwise prescribed by statute, the Articles of Incorporation, or by these By-Laws, the person in whose name shares of stock shall be registered on the books of the Corporation shall be deemed to be the owner thereof for all purposes as regards the Corporation.

Section 8.2 *Transfers*. The Board may make such rules and regulations as it may deem expedient concerning the issue, registration and transfer of certificates representing shares of the common stock of the Corporation and may appoint one or more transfer agents or clerks and registrars thereof.

Section 8.3 *Record Date*. The Board may fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of common stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of common stock, or to give such consent, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment or rights, or exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. Except where a date shall have been fixed as a record date for the determination of the shareholders entitled to vote, as hereinabove provided, no share of stock shall be voted on at any election of directors which shall have been transferred on the books of the Corporation within twenty (20) days next preceding such election of directors.

Section 8.4 *Lost or Destroyed Certificates*. In case of loss, theft, mutilation or destruction of any certificate evidencing shares of the common stock of the Corporation, another may be issued in its place upon proof of such loss, theft, mutilation or destruction and upon the giving of an indemnity or other undertaking to the Corporation in such form and in such sum as the Board may direct.

Article IX

Seal, Fiscal Year, Waivers of Notice, Amendments

Section 9.1 *Corporate Seal*. The seal of the Corporation shall be circular in form and shall bear the name of the Corporation and the inscription “Corporate Seal, North Carolina”. Said seal may be used by causing it or a facsimile thereof to be impressed or reproduced or otherwise.

Section 9.2 *Fiscal Year*. Each fiscal year of the Corporation shall end on the last Saturday of December.

Section 9.3 *Waivers of Notice*. Anything in these By-Laws to the contrary notwithstanding, notice of any meeting of the shareholders, the Board, or any committee constituted by the Board need not be given to any person entitled thereto, if such notice shall be waived by such person in a signed writing that is delivered to the Corporation for inclusion in the minutes or corporate records before, at or after such meeting, or if such person shall be present in person (or in the case of a meeting of the shareholders, be present in person or represented by proxy) at such meeting and without objecting to such lack of notice at the beginning of the meeting and as otherwise required by statute.

Section 9.4 *Amendments*. Unless otherwise provided by statute, the Articles of Incorporation or a By-Law approved by shareholders, these By-Laws may be altered, amended or repealed or new By-Laws may be made either:

> (a) by the affirmative vote of the holders of record of a majority of the outstanding stock of the Corporation entitled to vote thereon, at any annual or special meeting of the shareholders, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such meeting or waiver thereof, or
>
> (b) by the affirmative vote of a majority of the whole Board at any regular meeting of the Board, or any special meeting thereof, provided that notice of the proposed alteration, amendment or repeal or of the proposed new By-Law or By-Laws be included in the notice of such special meeting or waiver thereof or all of the directors at the time in office be present at such special meeting.

provided, however, that (i) no change of the time or place for the election of directors shall be made within sixty (60) days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each shareholder in accordance with Section 2.5 hereof at least twenty (20) days before the election is held, and (ii) the Board may alter, amend or repeal any By-Laws, but any By-Laws made by the Board may be altered, amended or repealed by the shareholders.

Section 9.5 *Electronic Transactions*. The Corporation may conduct any action or set of actions by any electronic means.

EXHIBIT 12

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

	12 Weeks Ended	
	3/25/06	3/19/05
Earnings:		
Income before income taxes	**$1,415**	$1,285
Unconsolidated affiliates interests, net	**(41)**	(35)
Amortization of capitalized interest	**1**	1
Interest expense	**62**	50
Interest portion of rent expense [(a)]	**19**	20
Earnings available for fixed charges	**$1,456**	$1,321
Fixed Charges:		
Interest expense	**$ 62**	$ 50
Capitalized interest	**3**	1
Interest portion of rent expense [(a)]	**19**	20
Total fixed charges	**$ 84**	$ 71
Ratio of Earnings to Fixed Charges [(b)]	**17.43**	18.61

(a) One-third of net rent expense is the portion deemed representative of the interest factor.
(b) Based on unrounded amounts.

Accountant's Acknowledgement

To the Board of Directors of PepsiCo, Inc.

We hereby acknowledge our awareness of the use of our report dated April 26, 2006 included within the Quarterly Report on Form 10-Q of PepsiCo, Inc. for the twelve weeks ended March 25, 2006, and incorporated by reference in the following Registration Statements and in the related Prospectuses:

Description, Registration Statement Number

Form S-3

- PepsiCo SharePower Stock Option Plan for PCDC Employees, 33-42121
- $32,500,000, Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Adjustable Rate Industrial Revenue Bonds, 33-53232
- Extension of the PepsiCo SharePower Stock Option Plan to Employees of Snack Ventures Europe, a joint venture between PepsiCo Foods International and General Mills, Inc., 33-50685
- $4,587,000,000 Debt Securities and Warrants, 33-64243
- $500,000,000 Capital Stock, 1 2/3 cents par value, 333-56302

Form S-4

- 330,000,000 Shares of Common Stock, 1 2/3 cents par value and 840,582 Shares of Convertible Stock, no par value, 333-53436

Form S-8

- 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 & 333-109513
- Director Stock Plan, 33-22970 & 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 & 333-109514
- 1979 Incentive Plan, 2-65410
- PepsiCo, Inc. Long Term Savings Program, 2-82645, 33-51514 & 33-60965
- PepsiCo 401(K) Plan, 333-89265
- PepsiCo Puerto Rico 1165(e) Plan, 333-56524
- 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

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

/s/ KPMG LLP
New York, New York
April 26, 2006

CERTIFICATION

I, **Steven S Reinemund,** certify that:

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
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 PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo'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 PepsiCo 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 PepsiCo, 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 PepsiCo'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 PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
   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 PepsiCo'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 PepsiCo's internal control over financial reporting.

Date: April 26, 2006

/S/ STEVEN S REINEMUND

Steven S Reinemund
Chairman of the Board and
Chief Executive Officer

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of PepsiCo, Inc. (PepsiCo);
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 PepsiCo as of, and for, the periods presented in this report;
4. PepsiCo'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 PepsiCo 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 PepsiCo, 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 PepsiCo'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 PepsiCo's internal control over financial reporting that occurred during PepsiCo's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, PepsiCo's internal control over financial reporting; and
5. PepsiCo's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to PepsiCo's auditors and the audit committee of PepsiCo's board of directors:
   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 PepsiCo'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 PepsiCo's internal control over financial reporting.

Date: April 26, 2006

/S/ INDRA K. NOOYI

Indra K. Nooyi
President and Chief Financial Officer

EXHIBIT 32

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 25, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven S Reinemund, Chairman and Chief Executive Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

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

Date: April 26, 2006

/S/ STEVEN S REINEMUND

Steven S Reinemund
Chairman of the Board and
Chief Executive Officer

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

In connection with the Quarterly Report of PepsiCo, Inc. (the "Corporation") on Form 10-Q for the quarterly period ended March 25, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Indra K. Nooyi, President and Chief Financial Officer of the Corporation, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: April 26, 2006

/S/ INDRA K. NOOYI

Indra K. Nooyi
President and Chief Financial Officer